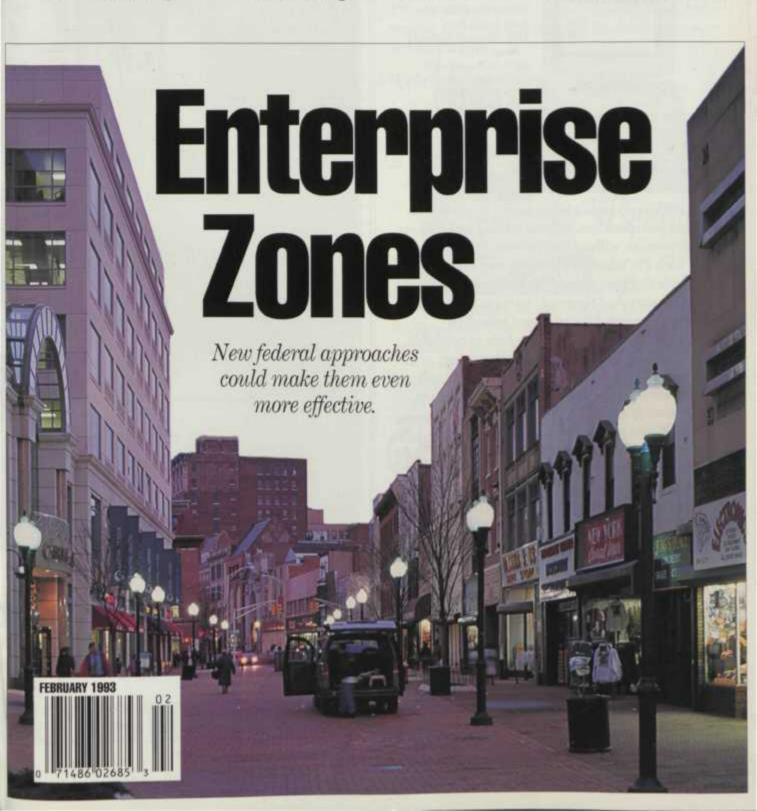
Nation's Business

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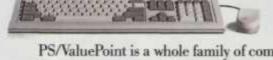
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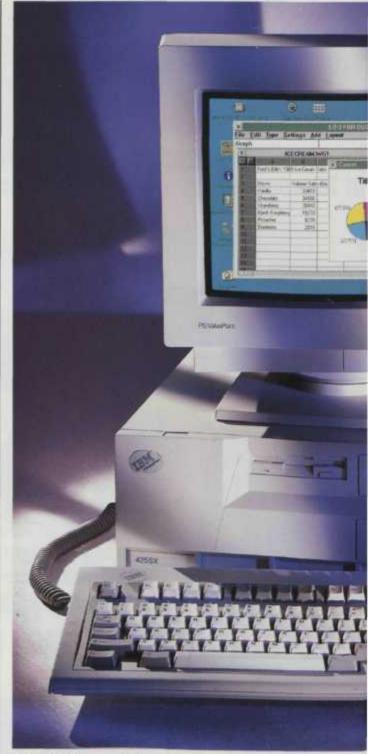
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Enterprise zones such as this one in Trenton are attracting growing numbers of companies through the use of incentives, says New Jersey commerce commissioner Barbara McConnell. Cover Story, Page 16.



A carefully crafted business plan can help a small firm in applying for a bank loan. Finance, Page 29.

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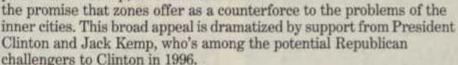
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Editor's Note

An Idea With Broad Support

Many political confrontations await as the new president and Congress start getting down to serious legislative business. But one issue will have strong support across the political spectrum: enterprise zones, which are the subject of our cover story this month.

Conservatives like the idea of the zones because of the reliance on private enterprise and self-help; liberals because of



Many states have launched their own enterprise-zone programs but have run into problems that can be resolved only at the federal level. Our report, beginning on Page 16, will give you an excellent overview of the enterprise-zone concept, what individual states have done to implement it, and what remains to be done. It's a particularly timely article as a new legislative year begins.

And the information could help you decide whether an enterprise zone would be right for your business if an opportunity to locate in one should arise.

You'll also be particularly interested in the article on the importance of a well-structured business plan to accompany your application for a loan to start or expand an enterprise. The article, on Page 29, provides an expert rundown on the factors you need to consider if you're going to assure a lender that you've got what it takes.

Looking ahead, our cover story next month will deal with a topic of growing concern for all Americans—how to best provide the education and training that will prepare our workers for the challenges of the high-tech workplace of the 21st century. This matter is becoming increasingly critical for all businesses. You'll learn why in the next issue.

Robert T. Gray

Robert T Gray

Editor

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Nation's Business

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Letters

Financial Help Needed For Sales Abroad

In your excellent summation of the North American Free Trade Agreement, known as NAFTA ["Broader Horizons For Free Trade," Cover Story, December], there is

Nation's Business

Profiting From

Free Trade

no mention of how small businesses are to obtain the preshipment and postshipment financing necessary to increase their sales of manufactured goods to buyers in Mexico and Canada.

Perhaps federal bank regulators, with the advent of NAFTA, could define such financing as being in the same riskbased asset category as domestic transactions. The next step would be to find a way to encourage

bankers to lend to small businesses on more reasonable terms.

To provide small businesses with access to export credit, the Export-Import Bank could delegate limited authority to state export-finance support agencies—perhaps up to \$100,000. Then, manufacturers, their bankers, and the state authorities, each likely to be familiar with the others' problems, could arrange appropriate financial support via Eximbank without taxing the federal agency's limited staff. Albert H. Hamilton, Senior Associate First Washington Associates, Ltd. Arlington, Va.

A Risk To Farmers

In my opinion, NAFTA will speed the decline of rural areas.

As NAFTA throws open U.S. borders to most Mexican products, it allows Mexico to impose barriers for 10 to 15 years on any U.S. products while Mexico modernizes its agricultural production system. In addition, Mexico is allowed lax health and environmental standards and can use pesticides that are not allowed in the U.S.

Decades of U.S. farmers' and other taxpayers' investments—and the capital they produced—will be shipped to Mexico. Mexico's agriculture will profit off the backs of the U.S. farmers.

Gloria Hegsted Challenger Pallet & Supply Idaho Falls, Idaho

A Canadian Perspective

The table in your December cover story states that Canada's minimum wage is

\$3.42 per hour and Canada's inflation rate is 5.5 percent.

I can't speak for all of Canada's provinces, but in Ontario, where most of Canada's jobs are located, the minimum wage is approximately \$5.00 U.S. at current exchange rates. Canada's infla-

> tion rate is below the U.S. inflation rate of 3.1 percent. Richard W. Ivey President and CEO Ivest Corp. London, Ontario

[Editor's Note: Both statistics are from the National Trade Data Bank of the U.S. Department of Commerce and are for 1991, the most recent full-year data available when the article was written. The Informa-

tion Center at the Embassy of Canada reports that the country's inflation rate is calculated for the calendar year only, and 1992 figures were not available at press time. While Mr. Ivey is correct that the Ontario minimum wage is approximately \$5.00 U.S., the center says the minimum wage in Canada varies with each province and the level of work.]

Choose The Execs Who Have What It Takes

"Hiring Bonanza: Laid-Off Managers" [November] provides a timely warning to entrepreneurial companies eyeing the many eager executives seeking to join their ranks.

Our experience in placing senior executives into leadership positions in entrepreneurial companies shows that fewer than 10 percent of them—even though they have outstanding resumes and performance records—have the required understanding to succeed within rigorous entrepreneurial cultures.

Although each situation is different, chances for a successful match are significantly greater if the selected executives have already accomplished the specific objectives they are being hired to achieve. If previous achievements occurred within comparable organizations, so much the better.

When these nearly "can't miss" qualifiers are lacking, savvy entrepreneurial managers will refrain from hiring.

Karin Stratmeyer

President

Princeton Entrepreneurial Resources Princeton, N.J.

Before You Lease-Study The Differences

In "Leasing Workers" [Cover Story, November], all the examples were co-employment situations, where the leasing company and the client both function as, and have all the liabilities of, an employer.

There are leasing companies that become the sole employer of the leased employees and indemnify their clients from all employer legal exposure.

Both co-employment and sole-employer are viable methods of employee

leasing. It is important for business owners to know what they are buying and the advantages and liabilities of each option. Stuart H. Selter Vice President National Staff Network Van Nuys, Calif.

[Editor's Note: Information on sole-employer leasing arrangements is available in two Nation's Business articles: "Employees For Rent" [June 1991] and "Leasing People" [October 19847.



Leased workers: Hiring arrangements can vary.

standards that dominates them all-ISO

At Hyster Co., a U.S.-headquartered lift-truck manufacturer, our manufacturing plants in Danville, Ill., and Berea, Ky., have both been issued ISO 9002 status by Underwriters Laboratories, Inc. Now all internal-combustion and sit-down electric (Classes I, IV, and V) Hyster lift trucks are produced in ISO 9002-registered facilities.

Thank you for keeping your readers informed of vital issues. Articles like "Quality Standards That Can Open

> Doors" [November] will help keep your audience up-to-date and informed for making educated business decisions.

J. Stephen Finney Vice President Marketing Hyster Co.

Danville, Ill.

A Small Firm's View

Regarding your article on quality standards, I have studied ISO 9000 from the perspective of a small manufacturer faced with longterm possibilities of having

to comply with this standard.

The article cites a claim by a 2-year-old company that ISO 9000 is the reason for its international success. I find this very suspect. As a new company, it may have needed a third-party consultant to organize and establish its initial operations for quality.

Yet, most certainly the company is paying a heavy price in certification fees and follow-up visits.

Our representatives in Europe tell us that ISO 9000 is not much of a factor in selling products. But, they say, the ISO 9000 standard is "very good for the certifiers."

ISO 9000 has been a frustrating issue because of the great promotional efforts now going on by a budding specialinterest group-the quality-assurance firms. We need to do whatever we can to stop this incredible excess before it corrupts the quest for innovation and true quality any further.

Richard Lowe President Lowe Manufacturing Co., Inc. Readstoren, Wis.

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.

This Retired Executive Is No Shoplifter

In "To Catch A Shoplifter" [November], the author could have been describing me, but I am a retired corporate controller and not a shoplifter. I disagree with the description of how the behavioral traits of shoplifters differ from those of shoppers.

Regarding "avoiding others": I avoid others especially when there are uncontrolled children with them. I move away from the area and go back later.

"Taking offense": When I'm minding my own business and know what I want, I intensely dislike it when some demeaning sales clerk says, "Can I help you?" Yes, I take offense and would like someday to wear a big sign that says, "Don't bug me-If I need help, I'll ask!"

"Aimlessness:" Sometimes I just like to look, to see what's new. Sometimes I just kill time while waiting for a friend.

I resent stores that treat everyone like a potential shoplifter. Shoplifting should be stopped, but use cameras, people with binoculars, store detectives, cameras in dummies. Then leave me alone unless I ask for help.

Barbara Green Wixom, Mich.

ISO 9000 Is The Dominant Standard

While there are many definitions of quality in the world, there is one set of



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Entrepreneur's Notebook By Michael Fitzgerald

The View From The Bottom

know what it's like to be low man on the organizational flowchart. As chairman and chief executive officer of Sunrise Publications Inc., that's where I am now.

That may sound like a gimmick, but it's actually a key to treating employees in a way that keeps creativity and morale at peak levels.

Sunrise Publications is the Bloomington, Ind., greeting-card company I started with two friends in 1974. In the past five years, the company has more than doubled its work force—to about 260—and has built revenues to about \$20 million annually. Sunrise sells more than 33 million greeting cards a year.

But it's not the numbers that I'm proud of; it's our philosophy for dealing with people. With the company creating 1,000 new cards and other products each year, this business demands hard workers who maintain their individuality. In our management structure, the customer is on top, followed by the sales staff, support people, down to executive management, and, last, me. It's kind of a diamond shape rather than the traditional pyramid.

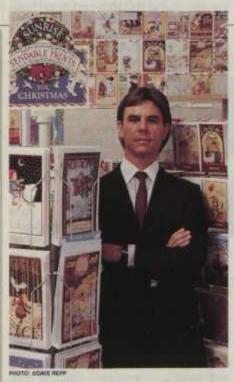
Skeptics might say that the customers aren't a part of our organization, but we think they are; if we do not have the involvement of customers as part of our organization—getting satisfaction from what they want and need from us—then we won't stay in business for long.

As with any other company, workers are dedicated to making the people at the top of the organizational chart happy; but in our case, that's not the chairman.

In order to build that please-the-customer-first philosophy, and to get workers to look at the customer first rather than at how they can get ahead themselves, we've tried to provide a creative atmosphere that challenges employees personally and professionally.

Michael Fitzgerald is chairman and chief executive officer of Sunrise Publications Inc., in Bloomington, Ind. He prepared this account with Nation's Business Contributing Editor Charles A. Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



Michael Fitzgerald: The organization chart is a pyramid with the customers at top.

For example, we have an educationloan program that allows any worker to take employment-related seminars or classes. We lend the worker money to pay for the schooling, with the loan to be paid back with years of service. If the worker continues with the company for three years after an education loan is made, the loan is completely paid off.

By providing this type of job-related educational assistance, we allow workers to develop the credentials needed to advance. And as the worker gains expertise and training, the company—particularly the customer—benefits. About two-thirds of our managers and supervisors use this program, and, companywide, it is one of our most popular initiatives.

Unlike other organizations, we give the entire company a four-day weekend every month. When there is a holiday, we plan the two days off from work around it; otherwise, we just shut the place down for two days each month, either before or after a weekend, leaving only a skeleton crew to handle the phone calls and satisfy customers while the rest of us get away.

When those 24 days a year are added to vacation and personal days, a Sunrise employee gets 40 paid days off a year.

And, no, our initiatives are not excessive. We expect our people to work very hard, but we see no reason to burn them out—not when it would affect our productivity, creativity, morale, and our relationship with the customer.

Although there is a cost to every employee-benefit program, that cost is more than made up in terms of employee retention.

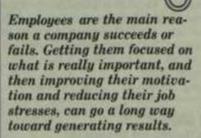
When Sunrise started, we didn't have the wherewithal to do the four-day weekends or to provide educational training. But as the company has grown, our philosophy for treating individuals with dignity and respect—giving worker and customer a say in the company's future has paid off.

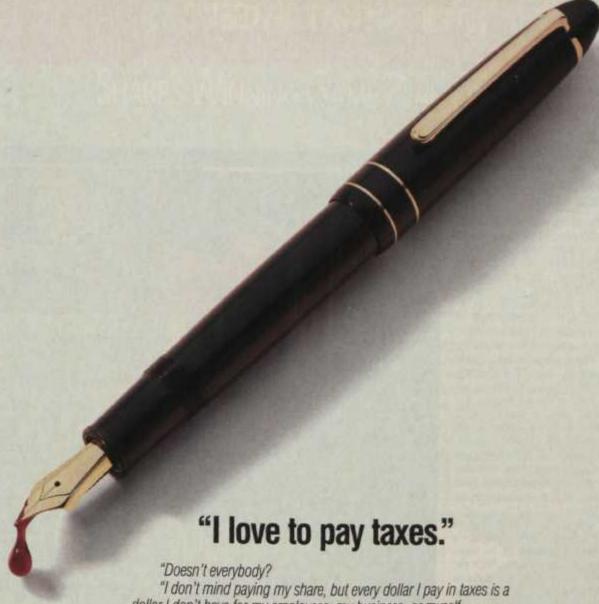
Every growing, competitive business undergoes significant and sometimes traumatic change, whether in installing new systems or procedures or demanding more from the work force. Change, particularly as it affects workers, is the one constant of an entrepreneurial environment.

By creating a highly motivated, trained work force and thereby reducing turnover, the effects of change on customers, employees, and company performance are dramatically reduced.

The view from the bottom of this organization is prefty good; customers appear pleased with the way things look from the top. Hopefully, that means we've done the right thing in training and motivating the people in the middle.

What I Learned





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Managing Your Small Business

Shifting focus as defense spending declines; outside directors for growing firms; marking milestones.

By Bradford McKee

CONTRACTING

Defense Suppliers Should Review Options Now

With U.S. defense spending shrinking, many small businesses that have been dependent on military work could be

reaching a critical stage.

Wayne H. Coloney and Anthony L. Alaimo, whose Tallahassee, Fla., consulting firm, Coloney VanSoosten & Associates, specializes in the turnaround of defense firms, encourage smaller Pentagon-dependent companies to choose an option: go for the top spot among their defense competitors, leave the defense business for civilian work, or "begin an orderly liquidation" of the company.

Micromachining Inc., in Baltimore, is typical of the smaller defense contractors that have reached such a decision point. The company chose the second option, civilian work, because the parts it makes for weapons-guidance systems are used also in electronics and medical equipment

in the private sector.

Before the fall of the Berlin Wall in 1989, says Alex Doyle, the company's president, about 70 percent of its sales were made to the U.S. military. "It's not that we wanted to stay in the defense area, but that was the path of least resistance," Doyle says. When it became



Weapons-guidance parts made by Alex Doyle's firm have civilian uses, too.

clear that the end of the Cold War would mean less U.S. defense spending, Doyle says, he began shifting the firm's mix toward a goal of 30 percent military sales.

For contractors awaiting a better forecast in the defense business, consultants Coloney and Alaimo advise: Don't wait too long.

Two of every three small defense firms may not survive this decade's military-budget cuts, the consultants project. Of 37,000 defenserelated firms working in 1990, they say, 32,000 were left in 1991.

FINANCES

Outside Directors Can Help Obtain Capital For Growth

Fast-growing companies have more luck getting capital to expand if they have an outside board of directors, a new study by the accounting firm of Coopers &

Lybrand shows.

The study looked at 302 companies with sales between \$1 million and \$50 million that were named by the news media as being among the fastest-growing in the U.S. It found that more than one-third of them relied on the "impartial viewpoint of outside directors."

Having outside directors apparently helps attract loans and investments, ac-

cording to the study.

Thirty-seven percent of firms with outside directors reported that they recently had obtained bank financing, compared with 25 percent of those with no outside directors; firms with external boards also paid less for their borrowed money.

The credibility lent by outside directors to a high-growth firm is significant, says George Auxier, Coopers & Lybrand's head of emerging-business services, because fast-growing companies are frequently the candidates for initial stock offerings, joint ventures, and debt restructuring.

Two groups that can help you learn more about outside directors are The Executive Committee and The Alternative Board. The Executive Committee is for CEOs with at least \$2 million in sales and 25 or more employees. The committee organizes forums of advisers nationwide and has more than 100 round tables across the U.S.

For more information, write or call The Executive Committee at 5469 Kearney Villa Road, Suite 101, San Diego, Calif. 92123; 1-800-274-2367.

The Alternative Board generally enrolls members with sales between \$1 million and \$200 million.

Information is available from The Al-

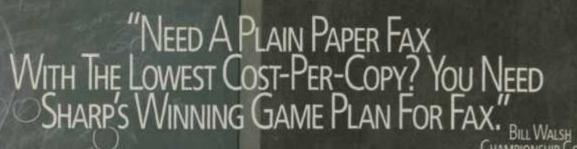
ternative Board at Suite 317, 11330 Olive Blvd., St. Louis, Mo. 63141; 1-800-727-

The Longer You Wait, The Less You Get Back

Your chances of collecting debts drop steadily the longer the balance stays outstanding.

The Commercial Collection Agency Section of the Commercial Law League of America, a trade group in New Providence, N.J., says that the slower economy has led some firms to extend due dates on accounts receivable. This hurts creditors' cash flow and bottom line, however.

Based on CLLA's reports taken from 81 collection agencies, 25 percent of accounts that are delinquent for three months will not be recovered. At six months, there is a 40 percent account mortality rate, and at 12 months of delinquency, 75 percent of accounts must be charged off and forgotten.



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PATENTS

A First Refusal Isn't **Necessarily Final**

Barbara Stenger, a home-based business owner in Brimfield, Ill., was turned down when she first sought patent protection for a three-ring binder index for recipes.

The patent office "sent back copies of five old patents, saying, 'Yours isn't something new,' " she says.

Rather than accept that determination, she appealed the denial and succeeded in showing that her index was in fact the first of its kind. "I never give up easily," Stenger says.

experience Her demonstrates that an initial rejection to a patent application is not necessarily final. The U.S. Patent Office has a built-in mechanism for applicants wanting a second opinion-the Board of Patent Appeals.

This panel reviews the basis for a patent examiner's determination that the device or process involved is protected or anticipated by a patent already granted. The appeals process gives the applicant, who is usually represented by a patent attorney, an opportunity to make a case for the claim that the proposed device or process



Home-based entrepreneur Barbara Stenger didn't take no for an answer when her first patent application was rejected.

is indeed new and entitled to patent protection.

The appeals process begins with the applicant's filing of a notice to appeal, which is followed by the filing of a brief setting forth the applicant's reasons for the appeal. In addition, a request for a formal hearing might be filed. For what the Patent Office terms "small entities"-individuals and unincorporated businesses-the fee for filing the notice of appeal is \$135, and it's the same for filing the brief. The request for a formal hearing carries a fee of \$115.

The board consists of three chief examiners who, after their review, decide whether to affirm or overturn the examiner's decision. If the board upholds the examiner's denial, the applicant can continue the fight in the federal courts.

The appeals process notwithstanding, the odds are with the applicant when the patent request is first filed. The patent office says about 65 percent of responsible applications are granted.

For patent publications, call the U.S. Patent and Trademark Office, (703) 557-4636, or the Small Business Administration, 1-800-U-ASK-SBA.

PUBLIC RELATIONS

Shine A Light **On Your Achievements**

Company milestones may be prime times for business promotion.

The History Factory, a Washington, D.C., firm that specializes in assembling corporate histories, advises companies to recognize their anniversaries and other red-letter days as opportunities to tell their Grand Vision, "not as an expensive party enjoyed one day and forgotten the next.

Passport Transport Ltd. in St. Louis recently capitalized on a company milestone. The firm, which opened 22 years ago, transports clients' cars for them. In November it moved its 100,000th vehicle. Passport plugged the event by moving customer Doug Collins' vehicle from Texas to Delaware for free, using it in media promotions. "When I started this business in 1970, I couldn't have imagined reaching this point. It's been a lot of work," says Passport's founder and president, Robert M. Pass.

For more information on planning your firm's milestones, contact The History Factory, 2831 15th Street, N.W., Washington, D.C. 20009; or call (202) 387-3228.

NB TIPS

A Package Of Tax Savings

The key to minimizing taxes is to spot opportunities for savings throughout the year rather than look for them when it's time to close the books. By then, it may be too late. That's the basic message of Small Business Tax Control, published by Corporate Reports, Inc. The publication provides tax-saving ideas to smallbusiness owners and managers.

The information consists of two parts: Tax Briefs and The Tax Prompter. The briefs come in a 420-page loose-leaf guide and give advice on how to reduce tax liability in specific situations. Subscribers receive one or more additional tax briefs each month plus revisions needed to keep the guide up-to-date on tax law.

The Tax Prompter is a monthly bulletin that suggests how and when to use the tax-saving procedures listed in the Tax Briefa.

Small Business Tax Control can be ordered by calling 1-800-331-6739 or by sending a check to Nation's Business, Attention: Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062-

The price is \$96 plus \$6 for shipping and handling.

The Road To Success

Find your entrepreneurial way with Business Maps That Mean Business, a new, 20-page catalog available free from The Map Store Inc., near Columbus, Ohio.

The catalog lists a variety of maps for use in charting sales turf and transportation routes, finding ZIP Codes, target marketing, and demographic planning.

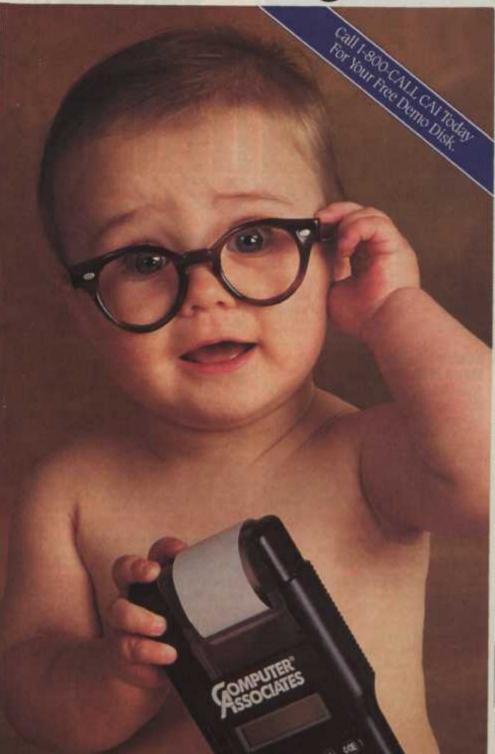
Write The Map Store, 293 Hopewell Drive, Powell, Ohio 43065; or call 1-800-848-0304.

Looking South Of The Border

Mexico may be in your future. The U.S. Small Business Administration, its affiliated Service Corps of Retired Executives, and AT&T have just published Opportunity in Mexico: A Small Business Guide. The book offers comprehensive intelligence for the entrepreneur hoping to expand his or her business south of the border.

The 220-page guide is yours free for the asking at any SBA district office. For more information, call 1-800-U-ASK-SBA, or visit an SBA office. The locations are listed in the blue pages of the phone book.

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Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

Congress And Clinton Agree On Priorities, But . .

Republicans as well as Democrats in Congress agree for the most part with President Clinton on top legislative priorities this year, but that doesn't necessarily mean that relations between the chief executive and Capitol Hill will be friction-free in the recently convened 103rd Congress.

A Gallup Organization survey of members of Congress showed that the top three priorities of members of both political parties in the legislative branch are creating jobs, improving the affordability and availability of health-care services, and cutting the federal budget deficit.

Those three themes were promoted by Clinton throughout his presidential campaign.

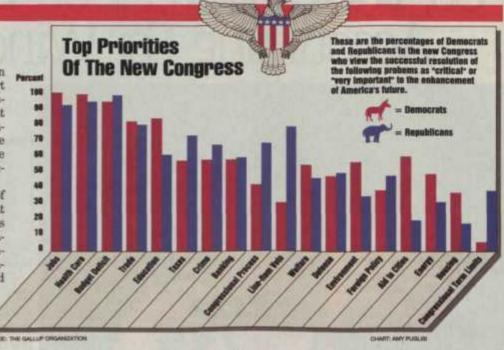
The national research and polling firm, based in Princeton, N.J., conducted indepth interviews with more than 28 percent of representatives and senators—not members of their staffs. It was one of the most extensive surveys of members of Congress ever conducted by the organization.

The agreement on priorities extends to other issues, such as trade legislation most notably the North American Free Trade Agreement (NAFTA)—education reform, and anti-crime measures.

There are some major areas of disagreement, however. A substantial majority of Republicans surveyed attach high priority to reforms in congressional procedures, line-item veto authority for the president, and limits on congressional terms, but only a minority of the Democrats do so. And Democrats give a substantially higher priority than Republicans to environmental, energy, and housing issues as well as aid to the cities.

Even where the new president and both parties in Congress are in agreement on priorities, sharp differences over how to achieve the goals are expected.

On deficit reduction, for example, there could be some bruising battles over whether the better course is higher taxes or reduced spending. And while many of the old-line Democrats who still hold powerful positions in Congress believe the most effective strategy for job crea-



tion is the economic stimulus of federal spending programs, mainstream Republicans tend to support tax relief as a means of spurring investment.

How To Register Your Views With Congress

What's the best way for you to communicate your views to members of Congress on legislation affecting your business?

The Gallup survey mentioned at left found that, when it comes to hearing from constituents, legislators give highest priority to personal letters and phone calls and to meetings initiated by business owners with a significant local job presence in the lawmaker's home area. The legislators also said they want to hear from heads of constituent groups, such as local and state chambers of commerce.

If you have been reluctant to contact your congressional representatives because you are unsure how to do so effectively, A Guide To Communicating with Members of Congress could serve as a confidence builder.

The \$3.75 guide lists specific ways to make your communications to members of Congress effective and provides advice on what does not work. To order a copy of this publication from the U.S. Chamber of Commerce, call 1-800-638-6582 (in Maryland, call 1-800-352-1450).

BUSINESS COSTS

Health-Care Expenses: Heading For \$1 Trillion

As if business owners needed reminding, the U.S. Department of Commerce has weighed in with the highest total ever for U.S. health-care costs: \$838.5 billion for 1992, up 13.2 percent from 1991.

Costs this year, the agency projected, will be even worse: They'll be up by 12 percent, to nearly \$940 billion, perilously close to a \$1 trillion headache and about one-sixth of the total U.S. gross domestic product of \$6 trillion.

The report adds urgency to President Clinton's pledge to bring medical costs under control. He has promised that his plan to curb health-care costs will be sent to Congress by May 1.

About the same time the federal agency was announcing the overall figures, the actual impact of still-rising medical costs on small business was spotlighted in New York State.

There, Empire Blue Cross and Blue Shield announced premium increases that will average 20 percent for its 1.4 million customers.

Small-group policies covering 650,000 people will be among those subject to the increase.

-John S. DeMott

Making It

Growing businesses share their experiences in creating and marketing new products and services.

A Simple Life No Longer

By Michael Barrier

n the beginning, Paul Keene recalls,
"we farmed with horses. All we wanted to do was to raise our family in the country and live as simply as possible—to have just enough income to keep going. We figured if we had two cows and could make one cheese a day, and could sell that cheese for a dollar, that was all we would need."

That was in the spring of 1946, when Keene, his wife, Betty, and their two daughters (a third arrived later) moved to a farm near the small town of Penns Creek, in the picturesque hills of central Pennsylvania.

Almost 50 years later, Paul Keene, now 82 and a widower, still lives on the farm, in a house built in 1886. But he sells a lot more than 365 cheeses a year, and he sells a lot more than cheese.

Keene's farm—then and now called Walnut Acres—has become the hub of a thriving mail-order operation that specializes in organically grown foods. Walnut Acres employs about 100 people, although the figure varies with the seasons, and its 1992 revenues were around \$7 million. The farm itself has grown from 100 acres to 500 acres. Walnut Acres raises much of what it sells—grains and vegetables in particular—but other people's products now account for perhaps half of its revenues.

Nine times a year, Walnut Acres distributes four-color catalogs filled with pictures of alluring foods, ranging from fresh vegetables to an extraordinarily flavorful peanut butter. You can buy organic sauerkraut from Walnut Farms, made from cabbage grown on the premises. Last year, Walnut Acres distributed about 1.5 million copies of its catalogs.

Despite the catalogs and the sleek retail store that now fronts Walnut Acres' production facilities, the operation as a whole still has some of the air of an overgrown roadside stand, as when an employee fills sacks of flour by hand and weighs them. "The reason for that,"



Keene says, "is that we don't grind a month's supply at a time," but grind to order instead.

Mail orders are heaviest in the winter months, but Walnut Acres is not as gift-oriented as, say, a fruit-basket company. As Keene's daughter Ruth Anderson, who oversees the catalog, says, "People use us for their regular food supply, too." Like Paul Keene himself, those customers are powerfully drawn to the very idea of organically raised foods.

In the preface to Fear Not to Some (Globe Pequot Press), a collection of his warmhearted essays from Walnut Acres' catalogs, Keene notes that Walnut Acres was "one of the first organic farms in the country." He eschewed the use of pesticides and chemical fertilizers out of a belief in "treating the soil as the living entity that it is . . . feeding it abundantly with natural soil foods, allowing the soil then to feed the plants."

His two years of teaching in India, from 1938 to 1940, were the transforming experience for Keene—and not only because he met his wife there (she was the daughter of British missionaries). Had he not gone there, he might very well have remained a mathematics instructor at Drew University, in New Jersey. After his return, he taught one more year at Drew, "but India was in the blood," he says. "It's such a different world. You see how simply many of the peasant people have to live, on the verge of starvation—and yet they're happy."

After he left Drew, the Keenes spent four years learning how to farm organically and live a very simple, self-sufficient life, before they bought Walnut Acres. Their first year on the farm, "we were really grasping at straws," Keene recalls. "I had borrowed every penny to buy the farm—\$5,000—and we only had \$200 to our name."

In the fall of 1946, "there were lots of apples on old apple trees behind the house," Keene recalls, and he told a visiting friend that he was thinking of selling an apple butter he would call "Apple Essence." His friend went back to New York, Keene continues, and talked to the food editor of a newspaper there. "She

wrote and asked for a sample," Keene says, "and then she wrote an article about this farm where food was raised without chemicals." The letters started coming, from people who wanted to buy. "We didn't have phones in those days, so it was all by mail," Keene recalls. "We used a shoe box to keep the cards and letters in. I told Betty, 'Someday we're going to be getting \$100 a day.' She said, 'Paul, don't be silly."

It took a long time, though, for Walnut Acres to metamorphose into a real business: It wasn't until sometime in the 1950s that Keene began publishing prices for mail-order customers. Throughout the '60s and '70s, Keene built a modest mailing list, with growth fueled largely by the new awareness of the environment.

In the early '80s, at the impetus of Keene's son-in-law, Bob Anderson, Walnut Acres began issuing professionally produced catalogs and offering a much

broader variety of organic products, including some nonfood items (soap, for example). Anderson has been completely in charge of Walnut Acres since the mid-'80s. "I don't know if we would have been able to carry on" without the changes Anderson has made, Keene says.

Still, he feels some regret at the way Walnut Acres has changed. "Our prices have gone way up," he says ruefully. "If I were running it, I would not have put the prices up so high." But even so, he says, "we run pretty close to the edge with everything we do. Our net profit is very little-maybe I, 11/2 percent."

Those higher prices reflect the higher costs of organic farming-it is more labor-intensive than farming that employs chemicals, although even Walnut Acres holds back from some of the most labor-intensive practices, like traditional composting. As Keene acknowledges, the higher cost of organic farming means it is

unlikely ever to command a large share of the food dollar. "People have been led to feel that you look for the cheapest food,' he says, "and that's completely wrong."

With more and more high-quality organic crops becoming available from other producers, Keene and Anderson have had to think about the extent to which Walnut Acres should be a working farm, as opposed to a brand name to which the farm is an adjunct. So far, says Anderson, 48, the answer is clear: "Our own products, under our own label, are what make us unique, and add the credibility to what we do."

"We've seen an awful lot of ups and downs," Anderson says, with demand for organic foods rising and falling dramatically with media attention. "It takes a certain amount of persistence" to stick with organic farming, he says, "and if there's anything that we are, it's very, very persistent."

The Unstoppable G.G. Fernandez

By Sharon Nelton

G. (Bill) Fernandez knows what it's like to have to start all over again. He's done it so many times now that he's become an

Fernandez, 63, is chief executive officer of Ferco Tech Corp., a \$4.3 million aircraft engine parts company in Franklin, Ohio. In the three months ended last Sept. 30, Ferco's sales were up 58 percent over the previous year, and the company had just won a contract to work on a new U.S. Navy plane engine.

But this is not the first time Bill Fernandez has launched his own company and made it succeed.

Thirty-three years ago, after Fidel Castro came to power, Fernandez fled his native Cuba and headed for Miami with his wife and 21/2-year-old son. "We had two bags of clothing altogether," he recalls. "That's all they let us take-and \$5. I had \$5 in my pocket."

Fernandez had an MBA from the University of Havana, and in Cuba he was the vice president of a distributing company. For several years in southern Florida, however, he was able to find work only as a dishwasher, a busboy, and a tractor driver in the sugar cane fields.

A Miami businessman took Fernandez under his wing, giving him a job selling furniture and teaching him English. By 1968, Fernandez had opened his own furniture store, and three years later, he and other Cuban business owners were invited to open businesses in Nicaragua by that country's government.

Commuting to Miami on weekends,



Time and again, G.G. (Bill) Fernandez has started over-and has succeeded.

Fernandez began construction on a furniture-manufacturing plant in Esteli, only to see the initial frame leveled by the devastating Managua earthquake of 1972. Eventually, Fernandez sold the Miami store and devoted full time to the thriving Nicaraguan company, which had contracts to make furniture for Sears Roebuck's Central American operations.

But the Nicaraguan conflict took its toll. When businesses all around him were set afire by the Sandinista rebels, Fernandez decided it was time to leave. He abandoned his factory in 1978.

"I was employing 400 people," he says ruefully. And, he adds, he was paying wages on a par with U.S. wages, "which was unheard of there." This time when he fled back to Miami, where his family was living, he took four things with him: his briefcase, an American flag, and two parrots. "They were my pets."

Months later, he went to work for a tool company in Dayton, Ohio, helping it to grow from less than \$1 million in annual sales to \$18 million five years later.

He went on his own again with Ferco Tech in 1984, concentrating on making brackets for the aircraft industry. General Electric became Ferco's first customer; other clients have included Martin Marietta, Allison Gas Turbines, the U.S. Army, and the U.S. Air Force. Ferco has more than 80 employees and now also makes tubes and assists aerospace companies with advanced development.

Fernandez owns 64 percent of the company. The rest is shared equally by his partners; son G.A. Fernandez, Ferco's president; his daughter, Milagros Blanco, chief financial officer; and R. Wayne Angell, executive vice president.

Last year, Ferco was named a Blue Chip Enterprise in a program sponsored by the Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and Nation's Business. The program recognizes companies that have demonstrated the ability to overcome challenges.

Every employee at Ferco has to deal with quality, according to Fernandez. "We don't make defects," he says; a faulty aircraft part can prove fatal.

Quality is in his blood, he says. So, apparently, is the willingness to be an entrepreneur against all odds.

Present At The Creation

By Steven B. Kaufman

nex Technology, a Fremont, Calif., videoconferencing firm, had no trouble attracting the interest of venture capitalists. At least a halfdozen told founder Jim Wilson that they were intrigued by his trailblazing technology, one that aims to compress video signals for transmission over standard telephone lines.

Unfortunately, almost all declined to buttress their interest with cash. "Until I was farther along," Wilson says, "they told me I was on my own."

But one notable exception-New York venture capitalist Fred Nazem-ponied up \$1 million for Knex last April. That says much about what makes his firm, Nazem and Co., different from other venture firms. While most venture firms have moved toward the safer and speedier returns of late-stage investing, Nazem-

which last year opened an office in Menlo Park, Calif.-continues to concentrate on fledgling companies and has nearly completed raising its fourth venture fund since 1976.

Unlike Wilson, most entrepreneurs backed by Nazem have also been backed by other venture capitalists. But, like Wilson, these entrepreneurs also say Nazem stands apart from the herd.

"Most venture capitalists take a skeptical attitude toward a prospective investment," says Paul Jain, founder and chief executive of Media Vision, another Fremont company and a maker of multimedia computing products. "Fred's attitude is different. He tells you that he believes in you. He just wants you to tell him how you plan to turn your idea into a successful business."

Those who know Nazem say his love of start-ups reflects his background as an immigrant from Iran who came to appreciate firsthand what it takes to become successful.

Nazem, 51, was born in Tehran, the son of the prosperous proprietor of an import/export business. At the age of 18, he came to the U.S. to obtain a biochemistry degree at Ohio

State University. Nazem's father could easily have paid his way, but Nazem insisted that he put himself through college. "I wanted to prove that I was really independent and could do it by myself," he says.

He got a partial scholarship and parttime jobs, and he also began displaying an entrepreneurial bent: He paid \$600 for used tables and chairs from an Army surplus store, for example, and successfully rented them to university fraternities and sororities.

Nazem wound up studying for a Ph.D. in nuclear chemistry at Washington University, in St. Louis. At that point, he thought he wanted to become a scientist or a professor; but then, while doing esoteric research by himself in university labs late at night, he realized that he missed mingling with people. He wanted the fun of being an entrepreneur.

"I wanted to see my ideas translated into products, rather than do research and then see the fruits of my work simply end up on a shelf," Nazem recalls. "I have a theoretical side, but I also have a very practical side."

So, in 1969, Nazem dropped out of the

Venture capitalist Fred Nazem: "I have a theoretical side, but I also have a very practical side."

Ph.D. program and headed to New York, where he talked his way into a security analyst's job at the now-defunct Irving Trust Co. He also enrolled in an MBA program at Columbia University. He got the degree, stayed at Irving, and eventually worked his way up to vice president of the bank's venture-capital department. He and a small staff worked with about a dozen companies. "That's where I learned how things go wrong at companies-and how to fix them," Nazem says.

Frustrated with the bank's bureaucracy he left in 1976 to form Nazem and Co. Most of the money for his initial \$8 million venture fund came from a wealthy Florida real-estate family.

From the beginning, Nazem says, at least half the firms he has worked with as a venture capitalist have had something in common with his own scientific background. "Unlike many venture capitalists. I understand the technological foundation of the companies that approach me," Nazem says. "I ask the right questionsand learn what I need to know."

Nazem personally chose the color schemes of his new Menlo Park office and selected its French and English antique furniture, and he's equally careful about sizing up the personal makeup and commitment of the people he bankrolls. Unlike the many venture capitalists who are more concerned with market-research studies and weighing the odds of a generous return on their investments, Nazem cares about an entrepreneur's passion and sense of vision.

"Nothing important in life gets done without these qualities," Nazem says. "Entrepreneurs need enormous persistence-and an incredibly strong belief in what they do-to succeed."

Along with the traits he likes in an entrepreneur, Nazem knows the traits he dislikes. Venture-backed workaholics are famous in Silicon Valley, but Nazem goes out of his way to avoid them. They are "solitary animals," he says, too selfabsorbed to relate effectively with the few people who usually determine whether a start-up succeeds.

But when the entrepreneur has the proper traits, Nazem adds, the venture capitalist should help finetune his strategy, then embrace it and coach the entrepreneur, with the appreciation that most of them have a fierce desire for independence.

By investing heavily in start-ups, he says, he is fundamentally a "value investor"-one who picks up promising assets at dirt-cheap prices, betting that he can profit by cultivating their inherent value.

Nazem has built a reputation as a stellar venture capitalist in more ways than one. He has been the lead

investor in 26 of the 34 deals he has funded. In a business in which up to 30 percent of venture-backed companies commonly flop, Nazem has backed only three complete failures. And each of his three venture funds has achieved returns substantially above average.

Still, he would stick with start-ups even if it meant compromising some of his financial success, Nazem says. "I really enjoy that moment of conception."

Steven B. Kaufman is a free-lance writer in San Jose, Calif.

Recasting **Enterprise Zones**

By John S. DeMott

anufacturer Harold Sarvetnick was exempted from payment of \$10,000 in state taxes when he bought a computerized router for his plastic-products plant in Jersey City, N.J.

Roland Christensen's company has received state tax credits of up to \$1,000 each for most of the people hired by his firm, which makes artificial limbs, in Favette, Utah.

Tom Gotthelf of LMA Ltd., in South Norwalk, Conn., could be eligible for grants of up to \$4,500 from the state this year if, as planned, he adds three workers at his plant, which makes tapes to wrap the strains and sprains of injured athletes.

The common denominator for the incentives enjoyed by these businesses is their location in enterprise zones.

These zones are public-private ventures designed to bring jobs to inner-city and rural areas suffering the economic and social consequences of high unemployment. They lure job-providing businesses through the incentives of tax and regulatory relief. The extension to rural areas was an American variant.

The concept of enterprise zones isn't new. It was imported from Great Britain in the late 1970s, where zones had been created to revitalize abandoned and deteriorating dock and warehouse areas.

Enterprise zones are being re-examined today, however, in light of last year's riots in Los Angeles and President Clinton's interest in reviving the inner cities.

Nonetheless, enterprise zones are not without their critics. Some established businesses view the zones as incubators for competitors. Labor unions see them as refuges for employers seeking to avoid regulation. Liberals like The New Republic's Michael Kinsley say enterprise zones amount to "bribing rich people to help poor people."

Opponents argue also that businesses attracted to the zones have done no more than move from other areas to take advantage of tax breaks, resulting in no net gain in economic activity.

Though the debate over enterprise zones extended through the 1980s, the zones never became a top issue in Washington, chiefly because of economic good times and general lack of major social unrest.

Substantive enterprise-zone measures failed in Congress, despite powerful promotion of the concept by Jack Kemp when he headed the Department of Housing and Urban Development (HUD), by the Heritage Foundation's Stuart Butler, and by other conservatives.

Kemp sees the concept as central to the salvation of the inner city. Last June, he told the U.S. Conference of Mayors that enterprise zones are one key for transforming "America's cities into models of entrepreneurial capitalism."

Butler has testified frequently in Congress in support of

zones. His view is apparent from the title of his 1981 book, Enterprise Zones: Greenlining the Inner Cities.

While the federal government remained generally inactive on the issue despite such entreaties, states and cities closer to pockets of serious unemployment and growing social problems pursued the idea.

Thirty-five states and the District of Columbia have authorized zones. Twentysix of those states, according to a HUD report last August, have formed 3,172 enterprise zones. Within those zones, the states have created 663,885 jobs and sparked investments totaling nearly \$41 billion by offering incentives to existing and prospective employers. (See the map on Page 18.)



In New Jersey, Utah, Connecticut, and elsewhere, the state programs have produced strong entrepreneurial activity. Some examples:

Sarvetnick's company, Acrilex Inc., has been in the Jersey City Urban Enterprise Zone since 1989. Acrilex's 36 employees make and distribute about \$8.2 million worth of acrylic sheets and related plastic products a year. Sarvetnick, president and owner, says the company's zone location has enabled it to take advantage of tax incentives, regulatory streamlining. and other breaks from the state. That \$10,000 tax saving, for example, came about when Acrilex was exempted from New Jersey use taxes, which are similar to sales taxes, when it bought the \$175,000 computerized router.

Federal action could give a shot of adrenaline to what's already happening at the state level.





Sports-bandage maker Tom Gatthelf's firm could get up to \$4,500 from Connecticut for new hires this year.

Christensen owns and runs Applied Composite, which forms high-tech materials into artificial limbs. A former aerospace engineer, Christensen converted some of the technology learned in that career to what he calls "another use" when he founded the company. The firm was located in what became the Sanpete County enterprise zone, in the center of Utah, where unemployment is about 9 percent. Applied Composite now has sales of nearly \$2 million a year, and its work force has increased from 11 in 1985 to 25 now. Christensen has received a state tax credit of \$700 to \$1,000 per new hire

toward the taxes owed by his corporation as a result of his location.

Connecticut. which oversees the South Norwalk enterprise zone, will pay Gotthelf's company up to \$1,500 for each of the new hires it plans this year-as many as three for the total incentive grant \$4,500. Says Gotthelf, 30, who took over the 5-year-old company after the death of his father in "When October: you're a small business, every bit helps."

■ More than 1,137 jobs were created between 1985 and 1990 in 2.63 square miles of an enterprise zone in downtown Hammond, Ind., an old industrial city of 85,000 people, just south of Chicago. Businesses in zone can receive an exemption from the state's inventory tax, which averages a stiff \$21 per \$100 of assessed valuation.

he creativity that states have employed in moving ahead on their own is evident in Utah. Although enterprise zones were originally seen as a solution for a problem in a specific area, more thought is being given to linking them, particularly in distant rural places.

In Utah, for example, Mike Alder of the state job-creation office says the biggest opportunities are in rural areas. Working with US West, the regional Bell operating company, the state plans to set up a sophisticated data-communications system (an appropriate effort, say supporters, in the home state of such computerindustry powerhouses as Novell, iomega, and WordPerfect). So Utah's enterprise zones, in addition to state tax and regulatory incentives, will have the advantage of being wired to one another and the world.

Says Alder: "A citizen in a southern Utah rural city who may want to have expertise in French provincial interior design can have access to the world's libraries and can become the world's best expert in that subject, no matter where they're located. We're going to draw the state together with communications."

The Hammond zone also has formed itself into a corporation—the Urban Enterprise Zone Association of Hammond—so it can legally solicit grants from foundations, offer scholarships to zone residents, and collect fees from zone businesses based on taxes saved because of zone membership—money that's used to run the enterprise zone. Typically, it amounts to about 20 percent of taxes saved.

Some states are aggressive in their approaches to enterprise zones. New Jersey has one of the nation's most ambitious enterprise-zone programs. Gov. Jim Florio is using New Jersey's zones to lure business-either retail customers or all or parts of businesses-from New York City, on the other side of the Hudson River. On the day after Thanksgiving, the first shopping day of the 1992 Christmas season, New Jersey lowered its sales tax to 3 percent from 6 percent for qualifying retailers in enterprise zones in Orange, Elizabeth, Kearny, and Jersey City. That put cheaper Christmas goods within a train ride of Manhattan, where the sales tax is 80/4 percent.

Although New Yorkers' purchases in those New Jersey enterprise zones became subject to New York sales taxes and are to be reported to New York tax authorities, it hasn't dampened the impact of New Jersey's sales-tax break. Sales have responded briskly at Anna's Cookies, Valenti Fragrances, and J.C. Penney—all in Jersey City's Newport Center Mall, on the Hudson—as well as at businesses in downtown Jersey City.

The tax cut has favored retailers like

COVER STORY

Howard Resnick, who owns 62-year-old Resnick Office Equipment (1992 sales: \$2.5 million) on Bergen Avenue, in downtown Jersey City. His markets are mainly corporate-and demanding. As he puts it: "They don't want it a week from now. They want it tomorrow or today." Resnick says that although the recession has been a problem, the sales-tax rollback will be a plus for his firm.

Not much later, New Jersey landed another punch by getting USA Network to move its cable television postproduction operation from Manhattan to Newport Center Tower, becoming only the second tenant in the troubled, 2-year-old office building, which happens to be in Jersey City's enterprise zone.

An alluring real-estate deal arranged by Florio, in which New Jersey actually bought a share of the project, was the biggest reason for USA Network's decision. But goodies that came with the enterprise zone certainly didn't hurt. One of those incentives was an unemploymentinsurance rebate if one-fourth of workers hired came off New Jersey's unemployment rolls.

Shops along Jersey City's Kennedy Boulevard-enterprises like N&N Market, Noble Pharmacy, Kennedy Florist, Natural Motion Hair Design, Mike's Fruits and Vegetables, Woolworth RX Express, and Vinnie's Pizzeria-while busier than in past years, are feeling the recession but see signs of recovery.

The Jersey City Urban Enterprise Zone encompasses about half the city's blocks and is described facetiously by Tom Ahern, who runs the zone, as looking a little like a "gerrymandered congressional district."

Since 1986, says New Jersey economic development spokesman J. Brooke Hern. \$1.5 billion in new investment has produced 8,000 new jobs in the zone.

Two-term state legislator Barbara McConnell, a former food trade association executive who heads New Jersey's Department of Commerce and Economic Development, says: "We're seeing more and more companies during these tough economic times looking to locate in areas [that] can offer them the most incentives."

Like New Jersey's nine other enterprise zones-one is in Trenton, the state capital-the Jersey City zone is not inclined to give things to business without getting something back, Businesses can get up to \$1,500 off their state corporate income taxes for each new worker hired, for example, but the full credit is allowed only if the new hire has been unemployed for 90 days and is effectively taken off New Jersey's unemployment rolls.

Employers don't seem to like that part of the program. Says one participant: "The quality [of prospective employees] is low, and we spend too much time interviewing."



lthough enterprise-zone success

stories are essentially the result of

the affected areas could head off future

Clinton's choice for housing secretary. disturbances. The concept of enterprise

Enterprise zones

received strong support in San

Antonio from

Henry Cisneros,

then-Mayor

President

state and local initiatives, the federal government's interest in the concept rose dramatically after the riots advocacy of that approach. In the aftermath of the riots, the Bush in South Central Los Angeles last spring. Debate has focused on the extent to which administration proposed a vastly exhigh unemployment was a factor in that panded enterprise-zone program, which outbreak and on whether job creation in could have covered as many as 300

zones was suddenly highly fashionable. and Kemp, then chief of HUD, was heralded as a visionary for his longtime

communities, providing federal incentives



Policy analyst

Stuart Butler has testified frequently before Congress in support of enterprise zones.



such as capital-gains tax breaks for individual investors and corporations.

Congress eventually approved a scaled-down plan for enterprise-zone incentives, but it was folded into a far-reaching measure that also contained tax increases and other provisions unacceptable to Bush, and he vetoed it.

Given Congress' support as demonstrated in the passage of the 1992 legislation and President Clinton's backing for the approach, federal legislation on enterprise zones is expected to win approval this year.

Dick Cowden, executive director of the 70-member American Association of Enterprise Zones, in Washington, agrees. He says of prospects for a Clinton boost of enterprise zones: "I'd bet my hat on it."

Clinton is known to agree with some of

Kemp's thinking on enterprise zones. He also mentioned zones favorably during the campaign. A factor in administration support will be Clinton's choice of Henry Cisneros, a former San Antonio mayor, to run HUD.

Under Cisneros, San Antonio set up its East Side and West Side enterprise zones and expanded employment by 1,200 jobs. Cisneros, says former aide Claudia Mora, sees the zones as a powerful recruiting tool for business. Bausch & Lomb, for one, has 700 employees making Ray Ban aunglasses in a refurbished building in the West Side zone.

Clinton's overall approach is expected to make enterprise-zone incentives part of a broad urban policy that includes a community-development bank program to assist businesses within zones. Clinton has a model, Arkansas' Elk Horn Bank and Trust Co. in Arkadelphia. That bank's

Zones Are



Where To Call For More Information

The following states have active enterprise-zone programs. Here are the telephone numbers of their economic-development agencies:

Alabama	(205) 242-5438
Arizona	(602) 280-1321
Arkansas	(501) 682-7310
California	(915) 324-8211
Colorado	(303) 866-2205
Connecticut	(203) 258-4227
Delaware	(302) 577-3156
Florida	(984) 488-3581
Georgia	(484) 658-7080
litinois	(217) 785-6153
Indiana	(317) 232-8911
Kansas	(913) 296-3485
Kentucky	(502) 564-7140
Louisiana	(504) 342-5399
Maryland	(410) 333-6950
Michigan	(517) 335-2108
Missouri	(314) 751-6835
Nevada	(702) 386-6462
New Jersey	(609) 292-1912
New York	(518) 473-6929
Ohio	(614) 466-4551
Oklahoma	(405) 841-5267
Oregon	(503) 373-1225
Pennsylvania	(717) 787-7402
South Carolina	(803) 734-9818
Tennessee	(615) 741-2211
Texas	(512) 320-9579
Utah	(801) 538-8780
Virginia	(804) 371-7030
Wisconsin	(608) 267-2845



Plastics manufacturer Harold Sarvetnick's firm has enjoyed tax incentives by being in a New Jersey enterprise zone.



A sales-tax reduction for enterprise-zone firms helped Howard Resnick's office-equipment company, in Jersey City.

mission, says CEO George Surgeon, is to "catalyze economic development in rural Arkansas," but the idea can work downtown, too, he says.

With the Clinton administration about to take up the issue, Jersey City's Sarvetnick says that what's really needed now are the incentives only Washington can deliver; federal investment tax credits and serious capital-gains tax relief "targeted at the kind of capital investments industry has to make to create jobs." But Sarvetnick and many Washington and business-community proponents also say that, in addition to tax breaks, the long-term success of enterprise zones will require more attention to such factors as costly regulation, crime, and an education system that fails to prepare young people for today's workplace.

As an example of regulatory problems, Sarvetnick notes that, under Environmental Protection Agency rules, he must replace his single-wall chemical-storage tank with a double-wall unit by 1995. Given the single wall's good condition, he says, it would be helpful if the enterprise zone had federal authority to postpone compliance—and his \$40,000 outlay—until, say, 1998.

In addition to regulatory relief, enterprise-zone advocates say, the federal role should include incentives for infrastructure improvements and community-development banks as a source of financing. And Sarvetnick says companies should

The Arkansas Experience

While Arkansas' hefty volume of 458 enterprise zones ranks it behind only Louisiana's 1,553, most of the zones are little more than lines around census tracts on a map of depressed areas, in the Arkansas Industrial Development Commission's office in Little Rock. All 75 Arkansas counties have at least one enterprise zone. Says Development Commission spokesman Pete Hoelscher: "We got 'em going across bodies of water—everywhere."

The Arkansas program is run from Little Rock, which dispenses incentives to companies that create jobs. At least on paper, Arkansas has altogether about 800 enterprise zones; in addition to the 458 zones in operation, about 340 are authorized but will not become activated until a company applies for zone benefits.

Arkansas' zones came about under Bill Clinton's administration starting in 1983. They were overseen by Dave Harrington, who was appointed by Clinton as executive director of the Development Commission after serving as assistant director.

In general, any census tract whose population fell in the lower 25th percentile of arbitrary poverty criteria was eligible for enterprise-zone status. In part, the creation of a large number of zones was motivated by a desire to be ready for federal action on enterprise zones, which never came.

What Harrington did, essentially, was

copy Louisiana's enterprise-zone system. In an earlier post in Baton Rouge, Harrington says, he helped draft legislation establishing Louisiana's zones.

None of this, say critics, means that the Arkansas zone program has been a boondoggle, only that it's not the same as ones in other states.

Harrington says that 30,174 jobs were created in all of Arkansas' zones through 1991 and that during his years as governor. Clinton vigorously supported the enterprise-zone idea. He has told friends, though, that perhaps he went too far in granting tax breaks to business, which lost revenue for Arkansas.

While Arkansas sharply boosted manufacturing employment by 19 percent during the 1980s—a statistic that presidential candidate Bill Clinton wouldn't let voters forget—the enterprise-zone program is not listed as one of the reasons for that growth on the state's official industrial development fact sheet.

Still, "any tool is helpful," says Martin Chaffin, mayor of Marianna, in Lee County, the state's poorest county. Marianna alone has four enterprise zones, and a fifth straddles its border with the county. Lee County's population is 13,000, and its unemployment rate is 13 percent. It has lured five businesses in recent years and, Chaffin estimates, 150 jobs.

Chaffin is negotiating with two more companies, which could net the county 75



State development chief Dave Harrington: A zone is "only a tool."

more jobs. Chaffin says Clinton supported Marianna's enterprise-zone efforts. He says he's hopeful "for Clinton giving us some aid on this."

Says Harrington: "In our circumstances, we believed it was useful. But only a tool. You can lay out on the ground a handsaw, a hammer, a drill bit—everything you want to—but a house isn't going to get built until folks pick these things up and start using them."



New hires have earned tax credits for Roland Christensen's Utah-based company, which makes artificial limbs.



More companies are seeking location incentives, says New Jersey commerce commissioner Barbara McConnell.

get federal help to train workers for specific jobs that are or will become available in the zones.

Enterprise-zone advocates' fundamental argument is that a timid approach to rewards for participation in enterprise zones will not work. Economist and housing expert George Sternlieb, a longtime critic of enterprise zones when he was at Rutgers University, says that "you need very deep incentives," given the fact that it can be "cheaper to bring the stuff in from Mexico or Asia than it is to produce it in hard-core Brooklyn."

dvocates of a much broader approach to enterprise-zone incentives were heartened by some early signals from the Clinton camp. Transition staff member Mary Madden, who reviewed recommendations from the American Association of Enterprise Zones as well as from other parts of the transition team, says, "We're looking at ways of making [enterprise zones] more comprehensive—meaning more than tax breaks and deregulation."

Clinton's record in Arkansas on enterprise zones is mixed, and it is marked more for quantity than quality. (See the box on Page 20.) While it seems clear that he believes that tax breaks are not enough, it remains to be seen how far the new president will go beyond basic enterprise-zone incentives.

At least one member of Congress plans to press Clinton to go considerably beyond the present system. New York Democrat Charles B. Rangel, a member of the Ways and Means Committee, which handles enterprise-zone legislation, says that zones by themselves are worthless as an answer to inner-city problems. He is drafting a plan that would boost education efforts, including Head Start, within enterprise zones, as well as position them to deal with drug abuse and other social problems.

The 1993 debate over the role of enterprise zones is thus likely to be geared to the question of how far they can be expected to go in solving basic social problems. Others argue that enterprise zones cannot be a panacea for the ills that beset communities like South Central Los Angeles, for example, or Detroit.

Whatever form it takes, the expected federal action on enterprise zones this year is likely to result in the establishment of perhaps a small number of zones with heavy federal powers to experiment and test the limits of what the zone concept can do. Says the Heritage Foundation's Butler: "A federal program will give a shot of adrenaline to what's already happening at the state level." At the same time, Butler doesn't want excessive Washington involvement in the running of the zones themselves.

Whatever course Clinton takes, he would be well advised not to "micromanage," says Butler. "Expect a zone put together in Chicago to look a lot different than one in Little Rock."

Enterprise zones, he says, were intended to be places where "a thousand flowers bloom. Let's see what people come up with, let's see what creative ideas people in that neighborhood have. ... You've got to re-create that turbulent, sort of pioneering, life of the inner cities."

The debate will include not only specific approaches but also the question of whether the jobs creation in enterprise zones would have occurred in the absence of enterprise-zone incentives.

Some business executives and zone managers say it is impossible to tell, but they are not necessarily the best sources for conjecture. Rodney Erickson, a professor at Pennsylvania State University's Center for Regional Business Analysis and a leading enterprise-zone researcher, says: "What business executive who is getting enterprise-zone benefits is going to tell you this is a dumb idea?"

Complicating the assessment is the fact that the impressive gains made in the 1980s by the zones were attributable in great measure to a strong national economy. But businesses in the zones were no more insulated from the recession than were those outside.

Hard-hit states like Maine gave up on enterprise zones altogether, even though they received widespread support. Says Mike Duguay, who oversaw Maine's four enterprise zones until they stopped receiving some \$300,000 in state aid in June: "It came down to: 'Do we give money to people so they can eat, or do we give money to economic development?"

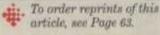
Marilyn Rubin, a professor at the John Jay College of the City University of New York, studied 1,000 companies in New Jersey's enterprise-zone program. She found that 30 percent of the companies, in choosing such a location, "said they wouldn't have expanded or located there without zone benefits; I think that says something." She adds that all the surveved firms with 100 or more employees said zone benefits were critical in their decision to locate in an enterprise zone or to expand.

f nothing else, analysts surmise, the states have learned that there's a lot more to crafting an effective enterprise zone than is first apparent. For one thing, the basic ingredients for business success must be in place-skilled people, social order, a functioning infrastructure, intelligent government, and markets. That type of support allows the enterprise zone to be a catalyst for getting business going.

After that, says Erickson, "it's a delicate balancing act. On the one hand, you want enough incentives to try to turn these areas around. But you don't want so much that you're pirating firms from other areas." Others argue that a community with the necessary strengths will achieve economic success without enterprise zones.

As the 1993 debate begins, over points ranging from the degree of incentives to the role of enterprise zones as a force for social change, some experts say that it is time for more action, not more rhetoric.

The longer the debate continues, the more support there is likely to be for the view of Stuart Butler: "The zone idea has been around for 10 years. We've talked it to death. We've had long discussions about what works. We've had states that have tried it. This is something you could run with right now."



THE FERRARI

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WHAT A LUXURY CAR SHOULD BE

Managing From A Distance

Telecommuting's
explosive growth means
pluses for companies and
employees alike—and new
management challenges.

By Ripley Hotch

ynne Stockstad had been happily employed for two years by Great Plains Software in Fargo, N.D., when her husband decided to pursue a longtime dream and go to chiropractic college, in Davenport, Iowa. That meant Stockstad had to resign. "I assumed there was nothing else I could do," she says.

Not only was Stockstad leaving a job she liked, but also Great Plains, the largest publisher of accounting software, was going to lose the services of a fine "competitive analyst"—one of the specialists who research competitors' products and advise Great Plains about them.

It's a common story for businesses big and small. Family circumstances often mean the loss of a good and productive employee. The employee doesn't want to go, and yet the family decision requires it.

Great Plains President Doug Burgum thought there might be a way to avoid such losses of key employees. To Stockstad's surprise, he told her not to resign. "He said, 'Challenge yourself to do the job from Iowa,' and he had me prepare a proposal," she says.

Stockstad realized that she spent a lot of time talking by phone to outside contacts. Those calls could be made anywhere. But Great Plains is largely organized in teams, so she also had to consider how to keep in touch with her co-workers in Fargo, how to take part in meetings, and how to remain a productive member of the team. And she had to figure out how to economize on telephone, travel, and equipment costs. In the end, she came up with a plan, and she became a pioneer for telecommuting at Great Plains. She was even promoted while telecommuting.

Other telecommuters have followed.

Janet Lampert is head of sales for the Denver region and moved there when her husband had to take over the family farm.

Sue Schneider's husband was transferred to Phoenix, and she remains a technical analyst working from there.

Joel and Kim Block have different assignments: He manages the relationship between Microsoft and Great Plains on a mutual product; she is the product manager for the next generation of Great Plains' accounting software. Joel Block wanted to get an advanced degree from the University of Montana, so the couple worked out a telecommuting arrangement that allows them to live there.

None of it would have happened with-



PHOTO: SIMONAGE SALLACINA

Telecommuting—from lowa to North
Dakata—by Lynne Stockstad (right photo)
was suggested by Doug Burgum, Great
Plains Software's president. Other
telecommuters are (photo above) Joel and
Kim Block from Montana and (on facing
page) Sue Schneider from Arizona, left,
Janet Lampert from Colorado, and Ray
August from New Jersey.

out Burgum's support. "I guess the basic driving force behind making the challenge to Lynne was my belief that the employee's knowledge is the most valuable thing for a company like ours—and probably for most businesses," he says.

Although very few companies have the technical expertise and kind of work that lend themselves to as much telecommuting as Great Plains, Doug Burgum and Great Plains are at the cutting edge of telecommuting for smaller companies.

Link Resources, a New York-based research firm that focuses on the impact of emerging technologies on business, has been surveying the field since 1985. It estimates the current number of telecommuters to be 6.6 million, about 5.3 percent of the work force. It projects that to increase to 6.6 percent by 1995.

"Smaller companies have always led in telecommuting adoption," says Thomas E. Miller, a vice president of Link who telecommutes from upstate New York.



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"Companies under 100 employees comprise 81 percent of telecommuters. Small businesses are flexible and results-oriented, and those are the two linchpins of telework. In a small company, if you don't produce results, the company folds." There are fewer layers of management to go through to set up a telecommuting arrangement, Miller says.

Fred Pilot, an editor for the threeperson Smart's Publishing Group, in San Mateo, Calif., found that to be true. "I started at Smart a year ago, then they relocated to San Mateo," south of San Francisco, he says. Pilot lives north of the Golden Gate Bridge. "I started telecommuting one, then two days [a week]. It was my proposal. We're a very small company, and I didn't have to go through a lot of people to get it approved."

The problems of physical commuting and the changing family and work force have now brought greater pressure from employees to substitute phone lines for traffic lanes.

Although salespeople and other field forces have always engaged in a kind of Associates, in Monmouth Junction, N.J., says: "Done right, it offers as many benefits to the employer: First, strategic staffing—the ability to find and keep top-notch people you wouldn't otherwise get. Second, small companies often are shoehorned into small quarters, and telecommuting allows them to stretch their space. A third benefit is greater productivity. Telecommuters do more and better

work, with better ontime performance."

Lynn Dreyer, Great Plains' human-resources director, says telecommuting "will open up the qualified work force more. It will be easier to hire women with childcare problems, or the disabled."

Although there are expenses in putting telecommuting equipment in an employee's home, the expense of modifying an office to accommodate an employee with a disability can be greater. Tele-commuting could enable a company to hire a qualified employee, meet the requirements of the Americans with Disabilidency-making him one of the few telecommuting supervisors in the country.

The Great Plains experience shows that telecommuting is less a challenge to technology than to management. The technology for telecommuting is established. (See "The Well-Equipped Telecommuter," on Page 26.) Management techniques have to be changed, however, or telecommuting doesn't work.

As a manager, Doug Burgum says, you have to change your thinking from keeping tabs on people from 9 to 5, to the quality of output.

To make telecommuting work, Gil Gordon says, you have to choose jobs that can be measured by some kind of results, filled by people who are self-starters, as well as managers who can deal with them. "The essence of telecommuting is a manager's ability to feel comfortable with a person away from the office."

Telecommuters and their managers are unanimous in what telecommuting requires on both sides: Trust.

"From a management standpoint, one of the basics is trust," says Doug Burgum. "You must have strong, implicit trust in the employee, and be confident they can have self-discipline when at home."

Lynn Dreyer adds that you begin with trust and then work out a specific agreement. Her agreement is in writing. (See the policy sidebar on Page 26.)





POTO PEAL DIMANOS IN - BLACK STAN

long-distance employment, they were often in effect independent operators, reporting in occasionally but generally going their own way. Modern telecommuting introduces the computer, modem, and phone line as a substitute for being in the office.

Most telecommuters work at home or a nearby satellite office two or three days a week (although it is growing more common to do so five days a week). The worker reports to a manager just as any employee would, which calls for innovative approaches to management.

Employees like telecommuting, and companies are realizing some major benefits. Gil Gordon, president of Gil Gordon ties Act, and do it at surprisingly little cost.

One of the advantages of telecommuting is that it might enable a company to hire someone it especially wants, but who will not, or cannot, relocate.

Great Plains, for example, wanted to hire Ray August, who worked for Price Waterhouse, the large accounting and consulting firm. August supervised the annual review of accounting software that Price Waterhouse did for PC Magazine, so he knew all the products in the field, as well as how the companies worked.

But Burgum knew that August wasn't going to move from Red Bank, N.J., to Fargo. He offered August a vice presiTelecommuting also requires frequent communication, by phone and in person. Ray August says he makes it "a point of talking to everybody every day. . . . You have to give the feeling like your office is just down the hall, and to do that you have to go overboard."

Primetime Publicity and Media, a public-relations firm in San Francisco, lets new employees work at home. Five of its 15 employees are full-time telecommuters. Bob Cullinan, Primetime's media director and supervisor of telecommuters, thinks that too much technology can hinder communications: "There is a move here to wire everyone together with modems and E-mail. I didn't want that to

THE WORKPLACE

happen. You need to make the telecommuters feel like they're part of the give and take. If you lose voice contact, you lose those people. They need to talk to someone, not just to write down and submit a memo."

Doug Burgum says management has to work hard to overcome the limitations of electronic contact: "I've been in some meetings where we're all around the table and have a speaker phone, but it's not the same as having the person there. You need the body language. In a meeting, as much happens on the breaks as during the official part, and the person on the phone doesn't get that."

Experts say that if you can become a good manager of telecommuters, you'll become a better manager of all employees. Says Gordon: "What we hear over and over again from these managers is that they've changed their focus from observing activity to managing for results, and that the process of managing telecommuters has made them better managers of people who work in the office."

Managers must also consider the people left in the office. Because telecommuting has such appeal to the employee, those whose jobs are not appropriate for telecommuting can regard it as a perk, and their work can suffer because they may feel they are being shortchanged.

hatever anyone thinks of telecommuting, it's bound to grow. Link Resource's Thomas Miller says that the major growth will probably come in informal telecommuting rather than formal arrangements. The informal telecommuter is usually a whitecollar executive who finds he or she can get more work done away from the office, and takes a day here and there to do it.

Not only are there pressures from employees and good business reasons for

The Well-Equipped Telecommuter

Technology is the handmaiden of telecommuting. It makes working at home possible and can give the smallest home office the sheen of a fully supported main office.

Equipment requirements vary with the job, and any company considering providing equipment to telecommuters needs to consider the cost of equipment. It will be chosen from these possibilities:

- Personal computer. It no longer matters so much whether people use the IBM-compatible standard or the Apple Macintosh-or other standards. Machines can be connected through phone lines by modem to services that are indifferent to the brand of machine at the other end.
- Portable computers. Sales are increasing exponentially for portable (laptop) computers with almost as much power as a desktop machine. These computers allow users to carry work wherever they wish to go and are particularly useful for salespeople.
- Modem. Essential to hook up to the main office or through "gateway" services to databases and the company's E-mail system.
- Voice mail. Either an answering machine hooked to the telephone or the services provided by the local telephone company. Whichever, answering messages should be brief and professional.

■ Electronic mail. "E-mail" is a system that allows anyone on a network to communicate with anyone else. Anything can be sent, from memos to copies of work in progress, to documents annotated by

Fax machine or fax card. Which of these a telecommuter chooses depends on how much faxing he or she does. Fax boards or cards in the computer are still having growing pains but are excellent for outgoing faxes. Newer combination cards that handle voice mail, faxes, and modem traffic have sophisticated software that does very well, but for most people, a free-standing fax machine with its own dedicated line is a better answer. Probably within a year, the boards will do the job better, because they will also include scanner software that will convert a fax into a document that can be read and annotated by a word processor.

Printer. A good quality printer is essential. Owners of portable computers are finding that the portable ink-jet printers are a useful accessory.

■ Teleconferencing. Only for the high end, where face-to-face interaction is essential. Right now, there are a number of companies working hard in the pictureand-voice market, and they are achieving remarkable results over ordinary phone lines. This will all work better when the whole country is wired with fiber-optic lines, which can carry much more information. Until then, teleconferencing pictures may seem a bit jerky, and they will certainly be pricey.

telecommuting, but there are strong governmental pressures as well. A number of local governments are interested, and the federal government has some of the largest telecommuting programs.

Governments are interested in reducing pollution and relieving pressure on highways. Having fewer cars on the road is an obvious way to do that.

A study by the consulting company Arthur D. Little for a number of telecommunications companies estimates that if telecommuting increased to replace 10 to 20 percent of road trips, the return could be as much as \$23 billion (in 1988 dollars) in annual savings on gasoline, maintenance costs, and reduced pollutants.

The technology for telecommuting will certainly come to include hand-held computers that are attached to the home network through cellular radio, telephone numbers that follow the person rather than the phone, and varied small computers now being called "personal digital

Technology changes the working relationship and definition of a "company." Miller talks about a "crisis of coherence" in companies that depend heavily on telecommunications. Decisions are made and managing is done differently.

"No one knows what the future is going to be," says Miller, "but it's going to be dramatic."

Telecommuting Policy: Put It In Writing

Formal telecommuting should begin with a formal agreement covering the supervisor, employee, and company, says Lynn Dreyer, director of human resources for Great Plains.

The agreement should include these important points:

- 1. Make sure performance meets the organization's mission statement, and all agree to it.
- 2. Look at equipment needs and costs. Eliminate surprises.
- 3. Establish a start time, and reasons for why, when, and how the arrangement might end.
 - 4. Establish times and frequency of

face-to-face meetings in the office.

- Make training available, especially for new equipment.
- 6. Explain clearly the impact on compensation and benefits.
- 7. Detail the relationship with the supervisor, particularly how often employee and supervisor must communicate.
 - 8. Spell out performance standards.
- 9. Work out exactly how the employee will be involved in departmental meetings.
- 10. State how often performance will be
- 11. Establish terms of eligibility for bonuses and salary increases.



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ATTENDANT - DRECT MOMPO
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DIMARD TEHNINATION DISTA - DIPUCT PROMO CACESS - DRECT STATION SELECTION - DISTINCTIVE
RIMBINO - DO TOT DESTARS - DOOR
LOCK RELEASE - DOORHOUNTOR
PRONS - DP TO DOME SWITCHING
PRONG - DP TO DOME SWITCHING
PRONG - DE TO DOME SWITCHING
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PROGRAMMING TOWN ALL CALLE - PRAMATE LINES

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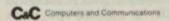
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A Costly Tangle Of Paperwork

By David Warner

they were led to believe that everything was fine at their San Diego electronic-components manufacturing firm following a random inspection by the U.S. Environmental Protection Agency (EPA) in March 1991. But nine months later, the company received a \$34,000 proposed penalty from the EPA.

"We were shocked," says Peter Zahn, president of the 160-employee Autosplice Inc., commenting on the EPA fine. "The indication that the inspector had given us

was that everything was fine."

The San Diego firm did not harm the environment, says EPA, but it did fail to file paperwork with the agency for 1988 and 1989.

The paperwork—Form R—is mandated by the Emergency Planning and Community Right-to-Know Act (EPCRA), part of the Superfund Amendments passed by Congress in 1986. EPCRA's purpose is to inform the public and community emergency-response services, such as fire departments, about the existence of certain toxic substances in area businesses.

Form R must be submitted to EPA by industries that use certain amounts annually of any of more than 300 toxic substances on a list compiled by the agency. Intentional failure to file Form R is a felony; an unintentional violation is a civil offense. The nine-page report asks for a great deal of information; the most important consists of the purposes, types, and amounts of substances a company uses.

EPA uses the data to establish a national toxic-release inventory to determine where potential toxic releases may occur, to assess the possible exposures to communities, and to determine future

regulatory needs.

The right-to-know law deals with releases into the air, land, or water of toxic substances while they are being manufactured, processed, or used in other ways. "Releases" also include waste material in solid form that is on the site but not actually released anywhere.

In Autosplice's case, EPA claims that the company has been required since 1988 to file Form R because it uses brass to make components for printed circuit boards, which are used in products such as anti-lock braking systems and various medical equipment. Brass is not toxic, but its major component, copper, is. Autosplice does not change the chemical makeup of the brass; there are no releases of toxic copper into the environment. Solid brass is simply stamped into various shapes.

"If you come look at our plant," says Zahn, you would see that "we don't use oozing chemicals." He adds that being fined by EPA is particularly harmful to upstanding businesses "because it's immediately assumed [by the public] that

you're a big polluter."

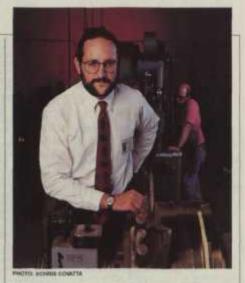
Autosplice has since filed Form R for 1988 through 1991 and is contesting the \$34,000 fine, contending that the company recycles 100 percent of the waste brass from its manufacturing process. Companies are exempt from the information-reporting requirements if they have on site no more than a half-pound a year of waste material that contains a toxic substance. Autosplice's case is now before an EPA administrative law judge.

Although the outcome of Autosplice's case hinges on whether it is exempt from the Form R reporting, Zahn says EPA's enforcement methods and what he has found to be a lack of knowledge about the environmental reporting law among many small firms are most troubling.

Zahn says that after his case received coverage from the local news media, other small businesses in the area started calling him with questions about EPCRA. He says "there's a lot of concern" among businesses that want to comply with the law but don't want to be penalized because they found out about it late.

Zahn, who says he wasn't aware of the law in 1988 and 1989, admits that "ignorance [of the law] is no excuse, not legally. But it is an issue because of the way EPA is enforcing it so harshly." He is particularly upset that EPA "gave us every indication that everything was OK" during the March 1991 inspection and then, with no communication from the agency, fined Autosplice in December 1991. "If [EPA] cared about getting this [Form R] information, why did it wait nine months and then sue us?" Zahn asks.

As for EPA's efforts to educate companies about the environmental-reporting law, Sam Sassnett, chief of the EPA toxic-release inventory branch, says the agency did mass mailings to manufacturing firms and that EPA's 10 regional offices and state environmental agencies have "every year attempted to conduct a The EPA inspection seemed to go well—until the firm received notice of a \$34,000 penalty.



Manufacturer Peter Zahn finds EPA's enforcement methods troubling.

pretty extensive outreach effort." Still, Sassnett acknowledges that smaller facilities are the ones that typically have the most problems with the reporting law.

Joel Moskowitz, a Los Angeles lawyer who has handled cases related to the reporting law for several businesses, says the Emergency Planning and Community Right-To-Know Act is a substantial burden on small sources.

EPA estimates that compliance costs for businesses total \$147 million a year. Estimates from trade organizations whose member companies are affected by the law are close to \$450 million a year.

The severity of the fines for paperwork violations of the law are also of concern to industries affected by it. (EPA can impose fines of \$25,000 a day per violation for failure to file Form R.)

"Ultimately," says Moskowitz, a partner in the law firm of Gibson, Dunn & Crutcher, "the question has got to be: "What is the appropriate fine for not telling people they're not being poisoned?"

The Zahns don't think their fine is appropriate. "The \$34,000, and the money we're spending to fight [the penalty], and the time we're investing" in the effort add up to resources that should be devoted to the business, says Peter Zahn.

Firms needing information about—or help in complying with—EPCRA should call the EPA at 1-800-535-0202 or the EPA Small Business Ombudsman's Office at 1-800-368-5888.



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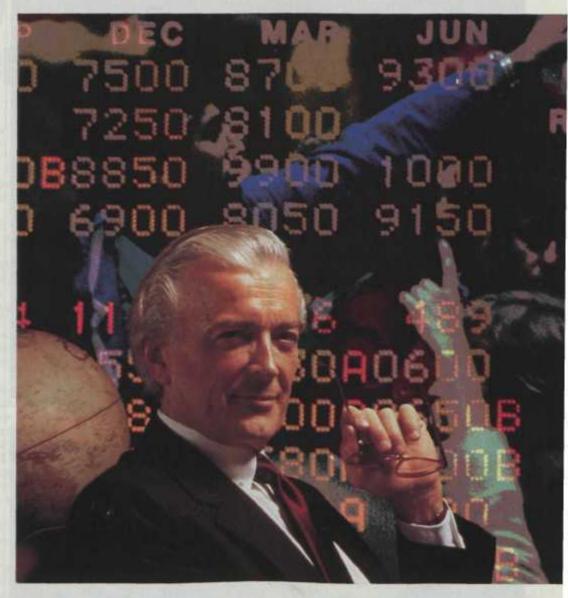
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FINANCE

How To Write A Business Plan

If you want your business plan to help you obtain a loan, consider these suggestions.

By J. Tol Broome Jr.

words are music to the ears of the business owner seeking bank financing for a new venture or expansion of an existing company. But the music won't play if the owner hasn't submitted a well-conceived business plan.

It's not a daunting task, however, to make sure a business plan contains the elements that will win a positive response from a lender. In fact, there are even certain banker "hot buttons" that can be pushed in preparing a business plandetails that might make the difference between approval and denial of a loan application.

Following are the basic points of an effective business plan.

Quality Vs. Quantity

In evaluating plans, most bankers do not abide by the credo of "the bigger, the better." Succinctness is critical in preparing an effective plan that will appeal to the lender.

"Our bank is big on bullets of information," says Bill Holt, a vice president with Wachovia Bank of North Carolina, which is based in Winston-Salem and is one of the leading small-business lenders in the Southeast. Holt, who heads the Reidsville, N.C., office, says: "We are looking for a good, concise summary, not a thesis. In fact, we prefer to see the facts presented one by one rather than in a paragraph format. We are making a factual decision, so we want facts, not fluff."

For instance, in providing industry background for a personal-computer wholesaler, a concise page or two of facts pertaining specifically to that segment of the PC market and the target market area will be much more effective than a 15-page dissertation on the entire computer industry.

According to Len Ferro, director of entrepreneurial services for Ernst & Young's Greensboro, N.C., office, the average business plan gets 15 minutes of review. "So it's important to make your

words count in the plan," he says.

The most critical section of the narrative content may be the executive summary. "First impressions are critical," says Holt. "The executive summary provides the lender with the first impression



of the business." The summary should not be used simply to introduce the business idea; it should provide a synopsis of the key reasons why the idea will work. A well-organized executive summary will usually entice the banker to read on; a poorly conceived summary probably will lead the loan officer to move on to the next request.

Seeking Outside Help

Many entrepreneurs try to prepare a business plan themselves; they think that seeking outside help would demonstrate weakness to the banker. On the contrary, in the eyes of most lenders, a borrower who seeks input and counsel from knowledgeable sources generally is seen as having put his or her idea to the test before going to the bank.

Moreover, seeking third-party help may not be costly for the borrower. Some CPA firms offer low-cost or even free help in preparing business plans. In addition, free counseling services are available in many communities through the Service Corps of Retired Executives (SCORE) and Small Business Development Centers, two programs sponsored by the U.S. Small Business Administration. Some colleges, including community colleges, also have entrepreneurial and other smallbusiness assistance programs.

"A couple of years ago, I had a plastics

company apply for a loan," says Holt. "All the owner knew was that he wanted a line of credit, but he didn't know how much or why he needed it.

"We recommended that he seek advice from a local small-business incubator. He came back with a business plan that included background on the business, personal information on the principals, and projections reflecting how the loan would be repaid, and we made the loan."

A business plan is no place for humility. The lender wants to know the experience of the owner and other key personnel, particularly their experience in the industry in which the venture will operate. A person who has 15 years of experience in book retailing and seeks a loan to open a bookstore will have a better chance of getting approved than a person starting a bookstore with 15 years of experience in the restaurant business.

The backgrounds of the key people can be presented in a resume format.

Addressing The Pitfalls

Bankers are notoriously pessimistic. Consequently, if the business owner fails to address the potential hurdles to success, the loan officer will do it for him or her.

"A business plan that is filled only with good news immediately sends up a red flag for me," says Charles Cannaday, the chief lending officer for First South Bank, a small, community bank in Burlington, N.C., that deals exclusively with small to medium-sized businesses.

"Not considering the potential problem areas in the plan tells me that the prospective borrower really hasn't thought through the idea," says Cannaday. "If he hasn't been thorough enough to address the pitfalls, then why should I take the chance of making the loan?"

According to Ernst & Young's Ferro, many business owners have only a Plan A: "This product or service is so great that no one can afford not to have it." They often ignore the hard questions that must be asked. Among them:

- What happens if my prospective customers don't catch on to the need as quickly as I think they will?
 - What if they catch on too fast?
- What if they aren't willing to pay my price?
- What if the product costs more to produce than I had planned?
- What if a competitor with deeper

J. Tol Broome Jr. is senior vice president of Banker's Trust in Greensboro, N.C.

pockets and a more established reputation enters the market?

Addressing the prospective pitfalls can be quite tricky. Omission of possible hurdles suggests that the loan applicant has unrealistic expectations. On the other hand, the business owner can't devote the entire plan to the potential obstacles.

A delicate balance must be achieved in which the business owner explains why the idea will work even if things don't proceed as planned. In effect, the owner must be able to call the proverbial glass of water both half full and half empty.

The Repayment Question

The key question for every loan officer is: How will the bank be repaid? In nearly every small or medium-sized business endeavor, the answer depends on cash flow. So, what's the bottom line? Prospective profits. Hence, financial projections in the plan are critical.

"Frankly, I usually start with the projections and work backwards," says Cannaday of First South Bank. "If the projections reflect an insufficient cashflow level or are unrealistic, there's no need for me to waste my time or the borrower's by reading and discussing the rest of the plan."

The financial section is where many a business plan goes awry. Bankers are looking for no-nonsense numbers that are adequately backed up by reasonable assumptions. The problem is that many business owners provide only the best-



case set of projections reflecting nearly impossible marks for sales and net income.

"When the projections are too high, I lose confidence in the owner," says Brent Priddy, a business-service officer with BB&T, a bank headquartered in Wilson, N.C., that focuses most of its lending efforts on small to medium-sized businesses in the Carolinas. "Unrealistic projections lead me to begin to wonder if the borrower is still trying to convince himself about the viability of his business,"

Like most loan officers, Priddy, who is

based in Greensboro, says he prefers to see three different sets of projectionsbest-case, worst-case, and most-likelycase scenarios. This demonstrates to the banker that the owner has considered all possible risks.

Looking at three different cash-flow scenarios also will help the entrepreneur better understand his or her workingcapital needs. Rapid sales growth (even under very profitable conditions) can affect those needs as much as extended losses. And one of the cardinal sins of starting or expanding a business is underestimating the need for working capital.

"I like to see a borrower complete a projected balance sheet as well as an income statement," says Cannaday. "Without doing a pro forma balance sheet, there is no way to really analyze the effects of growth on working capital. When a company experiences sales growth, trading assets will also increase. It is critical that the business owner understand this correlation before he proceeds with the endeavor."

One banker provided a prime example of the need to scrutinize potential working-capital shortfalls. His bank had lent money to an entrepreneur to open a pizza franchise. When the parent company became bankrupt, the franchise owner (who had planned for the worst) was prepared. He had set aside a large cash reserve in case circumstances turned against the business. Consequently, he was able to take the three months necessary to revamp the facility into an upscale pizza restaurant without losing any of his key employees.

Two years later, the revitalized concept has proven successful. Revenues have grown to a level that is more than sufficient to meet expenses and service debt, and the owner is franchising his idea in a venture that promises to be lucrative.

long with the business plan, bankers like to see the entrepreneur submit a specific loan request. They usually prefer that the owner list not only a requested amount but also the proposed loan components, such as purpose, term, interest rate, and collateral. The terms may not be accepted as proposed, but they will at least provide a starting point for negotiation.

By including a complete loan proposal with the plan, the owner demonstrates to the lender that he or she understands not just the need for financing but also why the funds are needed to make the venture

Bankers agree that preparation of a business plan is essential to any loan request. As the saying goes, those who fail to plan, plan to fail.

Mistakes To Avoid In Drafting A Plan

Here are errors in business-plan preparation that almost certainly will result in denial of a loan application by a bank:

■ Submitting a "rough copy," perhaps with coffee stains on the pages and crossed-out words in the text, tells the banker that the owner doesn't take his idea seriously.

Outdated historical financial information or industry comparisons will leave doubts about the entrepreneur's planning abilities.

■ Unsubstantiated assumptions can hurt a business plan; the business owner must be prepared to explain the "whys" of every point in the plan.

■ Too much "blue sky"—a failure to consider prospective pitfalls-will lead the banker to conclude that the idea is not realistic.

A lack of understanding of the financial information is a drawback. Even if an outside source is used to prepare the projections, the owner must fully comprehend the information.

Absence of any consideration of out-

side influences is a gap in a business plan. The owner needs to discuss the potential impact of competitive factors as well as the economic environment prevalent at the time of the request.

No indication that the owner has anything at stake in the venture is a particular problem. The lender will expect the entrepreneur to have some equity capital invested in the business.

■ Unwillingness to personally guarantee any loans raises a question: If the business owner isn't willing to stand behind his or her company, then why should the bank?

■ Introducing the plan with a demand for unrealistic loan terms is a mistake. The lender wants to find out about the viability of the business before discussing loan terms.

■ Too much focus on collateral is a problem in a business plan. Even for a cash-secured loan, the banker is looking toward projected profits for repayment of the loan. The emphasis should be on cash



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A Surge In Trade With Latin America

By Rosemary Werrett

Small and medium-sized companies are being buoyed by the rising tide of business opportunities in the region.



PHOTO: T. MICHAEL KEZA

Latin America is a growing market for the latest equipment, says Leon Stern, managing director of international development for a New Jersey maker of specialty paper.

ifteen years ago, Mexican government officials shut the door on imports from Leon Stern's U.S. company after four local specialty paper producers complained they were losing business to foreign exporters like Stern.

That ruling did not faze the energetic Stern, then owner of Photo Marker, a New York-based firm with about \$10 million in domestic and international sales. He fought the Mexican government's ruling and succeeded in reversing it over a year later.

Now he uses that incident to illustrate the potential benefit of a U.S. free-trade agreement with Mexico and, by extension, with the rest of Latin America. "It would remove those idiosyncrasies of government behavior" that penalize the private sector, he says.

Removing arbitrary barriers to trade and investment is the purpose of the North American Free Trade Agreement, signed in December by the presidents of the United States, Canada, and Mexico and now awaiting the approval of the

Rosemary Werrett is president of New York-based Latin American Information Services, Inc. She writes frequently on business and financial affairs in the region. legislatures of those nations. Removing such roadblocks is the guiding principle as well of the 2-year-old Enterprise of the Americas Initiative (EAI), a plan to forge a series of agreements that ultimately will produce a free-trade area stretching from Alaska to Argentina.

And the EAI is on track. President Clinton recently announced he would soon begin free-trade negotiations with Chile. The United States has signed so-called framework trade and investment agreements with all the Latin American countries except Cuba, Haiti, and Surinam. This means that virtually the entire hemisphere is committed on paper to open economies and free-market principles.

Many governments have moved swiftly to implement these goals by slashing tariffs, paring away licensing procedures, reducing foreign-exchange restrictions, strengthening intellectual-property laws, and discarding foreign-investment restrictions.

Virtually all of Latin America now belongs to the global trade compact, the General Agreement on Tariffs and Trade (GATT).

The new openness is showing up dramatically in U.S. trade with Latin America. In 1991 there was a 17 percent surge in U.S. exports in the region, far outpacing U.S. sales gains in any other part of the world.

Moreover, while large U.S. corporations traditionally have fared relatively well in Latin America, it is small and medium-sized businesses that are now being buoyed by the rising tide of new business opportunities in the region.

Stephen Wolfe, president of Telular Inc., based in Wilmette, Ill., says his company is experiencing spectacular growth in sales of its cellular telephone interfaces in markets such as Guatemala, Costa Rica, Venezuela, Chile, and Argentina—not to mention Mexico.

Telular's device enables businesses and residences in even the smallest towns to connect their conventional telephones and fax machines to the cellular facilities now proliferating throughout Latin America.

Since inaugurating its Latin American push in 1989, Telular's sales there have jumped to more than one-fourth of the company's worldwide sales, which now exceed \$10 million.

And Wolfe sees unlimited horizons. Reflecting his confidence, Telular now is looking beyond simple exporting to building in-country joint ventures, which Wolfe believes will enhance his ability to service his product. The first joint venture has already been forged in Mexico, and ventures in Chile and Venezuela are in preparation.

Symbol Technologies of Bohemia, N.Y., also is seizing the opportunity presented by Latin American trade liberalization. The company, which makes bar-code scanners and hand-held computers, has seen annual Latin American sales rocket upward at a rate "never less than 40 percent" since it began selling there six years ago, according to Victor Spencer, director of international sales.

Although Latin America still represents only a small share of the company's approximately \$150 million in overseas business, Spencer also says the region offers large opportunities. Open borders and sweeping privatization have forced a revolution in the thinking of local companies, he says. They know they can survive only by becoming globally competitive through adoption of state-of-the-art technology. So, says Spencer, the time is right in the region for his and other high-tech companies' products.

San Diego-based Cal-State Lumber Sales Inc. also knows firsthand the re-

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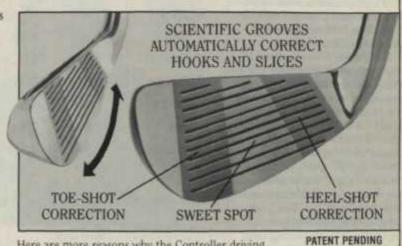
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Latin American Markets At A Glance

		Per Capita GDP (In U.S. \$)	GDP	Total Imports (In Billions)	Imports From U.S. (In Billions)
	Argentina	\$2,754	5.0%	\$8.0	\$1.9
	Bolivia	885	4.0	0.7	0.2
	Brazil	2,189	0.5	21.5	5.9
	Chile	2,549	6.0	6.9	0.8
	Colombia	1,416	1.8	4.4	1.9
	Ecuador	1,249	2.9	2.2	0.9
-	Mexico	2,019	4.5	36.0	32.3
-	Peru	1,312	0.0	3.0	0.8
-	Venezuela	3,220	9.2	10.2	4.5

All figures are for 1991.

SOURCES: INTER-AMERICAN DEVELOPMENT BANK; U.S. GEPARTMENT OF COMMERCE, LAGRAAPPE LETTER.

KAMETRIKTION: AMT PUOLISI

fast track to a trade deal with the U.S. "It used to be 20 permits to get our product to the destination in Mexico, and now it's down to five," she says, adding that she is counting on these disappearing with the formal implementation of the NAFTA, perhaps as early as this summer.

And even Stern, formerly Marker and now managing d

wards to be reaped when a market opens to U.S. prod-

ucts. It once faced a raft of

government-imposed obstacles when seeking to export to

Mexico. But Mexico now ac-

counts for over half of the

firm's processed-lumber sales.

which zoomed from \$14 million in 1989 to \$104 million in 1990

Mary Alice Acevedo, head of international relations for Cal-

State, says business began

picking up when Mexico joined

the GATT in 1986, but sales

really started accelerating

when Mexico was put on the

and \$147 million in 1992.

And even Stern, formerly of Photo Marker and now managing director of international development for New Jersey-based Better Methods Alexander Holdings (BMA), a maker of specialty paper and products for the apparel industry, forecasts unlimited opportunities in Latin America "if you have the right product to sell."

Stern rates the region high in entrepreneurial talents as well as in hunger for the most modern equipment. Stern developed a fabriccolor and shadematching instru-

ment that sells for less than \$5,000; it is being snapped up, he says, by textile firms in Peru, Argentina, Brazil, Venezuela, El Salvador, and Mexico.

Stern's efforts to put BMA into the international market have resulted in a 10 percent—or approximately \$5 million—

boost in the company's overall sales. Latin America still represents a small chunk of BMA's international business, but Stern forecasts its share will grow quickly because of the improving environment for doing business in the region.

espite his frustrating and damaging encounter with Mexican trade barriers years ago, Stern brushes aside the idea that doing business in Latin America is overwhelmingly difficult these days. "Anyone who says it's too difficult doesn't know" about what is going on in the region now, he says, but he warns that to make any export effort successful, "a company must make a commitment."

In fact, with barriers falling and the trade climate flourishing in Latin America, Stern is but one among the many U.S. executives who now contend that the only real obstacles to lucrative sales in that region are those imposed by the po-

tential exporters themselves.

Stern holds that for smaller companies, the greatest impediment to successful exporting is lack of an export mentality. He explains that it took two years at BMA to organize a staff that understood the meaning and flow of export documents

Climbing The Learning Curve

Many sources of information in both the public and the private sectors can help you evaluate your firm's business potential in Latin America. Following are several of the most prominent organizations and publications in the field.

The U.S. Department of Commerce's Trade Information Center can guide you to many information sources, contacts in each market, market studies, and other useful information for seasoned as well as first-time exporters. Call 1-800-USA-Trade.

The Commerce Department's "World Trade Week 1992" edition of its monthly Business America magazine is an excellent primer for novice exporters. Also, the March 23, 1992, issue is full of facts and advice on doing business in Latin America. Both are available from the U.S. Government Printing Office's Superintendent of Documents. Fax your request to (202) 512-2250.

The commercial attachés at U.S. em-

bassies in Latin America are generally knowledgeable about local business practices and often can provide guidance on making contacts as well.

The Associated American Chambers of Commerce of Latin America (AACCLA), based at the U.S. Chamber of Commerce, in Washington, D.C., and its affiliated organizations throughout Latin America are very helpful. The country chambers can guide you to contacts and advise you of pitfalls, opportunities, and government regulations. Call (202) 463-5485 for an orientation.

Industry-specific chambers of commerce are widespread throughout Latin America. Like industry organizations in the U.S., they attract like-minded businesses to share market information and contacts.

The Journal of Commerce, a newspaper, has published a useful handbook, International Trade Finance. Call (212) 837-7000 for information on ordering. Global Production, a quarterly magazine for companies involved in exporting, has a strong focus on Latin American markets. It is published by New Hope Communications, 1301 Spruce St., Boulder, Colo. 80302; (303) 939-8440.

The biweekly Lagniappe Letter and the Lagniappe Quarterly Monitor provide detailed analyses of business, economic, and financial issues in the major Latin American markets. The monthly Americas Trade and Finance newsletter keeps track of cross-border business activities and trade policies in Latin America. The report Towards an All Americas Common Market: A Guide to the New Trade Trends in Latin America covers the wave of trade-policy reforms in the region. All are available from Latin American Information Services Inc., 159 West 53rd St., New York, N.Y. 10019; (212) 765-5520.

Business Latin America, published by The Economist magazine, provides weekly analyses of business developments in Latin America. The publication is available at 215 Park Avenue South, New York, N.Y. 10003; (212) 460-0600. such as certificates of origin, which must be made out accurately and without erasures. Terms such as CAD (cash against documents) and CIA (cash in advance) amounted to a new lingo that had to be taught. Wire transfers and transfer agents were concepts that had to be learned as well.

Says another U.S. executive who has closed several million dollars worth of contracts for high-tech equipment in Argentina and Chile: "Making the sale was easy. What was difficult was getting our management to understand that they had to change some procedures. For example, to prepare our documents in Spanish." Moreover, he says, U.S. business people "have to get a job done when we say it will be done."

Veteran exporters say there are no shortcuts to preparing your company to succeed in Latin America. They all advise that you visit the country where you wish to do business and discuss prospects with U.S. embassy staff members, local chambers of commerce, and local

business executives. They urge that you take time to understand the local business culture, which is much more dependent on personal contacts than usually is the case in the U.S.

Establishing good rapport with agents, representatives, and distributors is a must.

Trade fairs are cited as important vehicles for entering Latin American



*

Exports to Mexico have soured, says Mary Alice Acevedo of Cal-State Lumber Sales, in San Diego.

markets. These have traditionally been a part of the business scene, but executives attach greater importance to them now than ever. They say that more and more Latin American executives are attending them to obtain contacts and ideas. "Many Latin American executives now have greater [financial] ability to visit trade shows," says Stern, who advises getting lists of those who attend and contacting

them by direct mail and by fax.

Acevedo recommends strong direct marketing: "You sell as you do in the U.S. You identify customers and send brochures and videos and sales representatives. Written material should be in Spanish."

Stern advises hiring at least one experienced person who can train other staff members in the particular requirements of exporting to Latin America.

Getting paid, of course, is the crucial detail of trading. And although that is less of a problem now than it was a few years ago, when the region was engulfed in a debt crisis, all Latin American countries still present the payment risks associated with relatively high inflation rates and frequent currency devaluations and revaluations.

Cash in advance is the safest means of doing business, of course, but that usually is not feasible. Many U.S. companies export through confirmed letters of credit. One veteran exporter of training

systems suggests that companies also look into sight drafts, which means that the purchaser instructs his foreign bank to pay for products before they are picked up at customs. This is less costly than letters of credit, "but you have to know with whom you are dealing," the

executive warns.

However, his credo is: "If a customer needs the product, you can always find a way for it to be paid for."

Specific Markets In Some Countries

Latin America's markets differ substantially among themselves, and you should analyze each extensively in exploring opportunities there.

Following is a brief overview to give you a head start on your market research.

The Chilean economy is sailing into its ninth year of 6-percent-plus growth. Wedged between the South Pacific Ocean and the Andes Mountains, Chile never appeared likely to become the showcase economy of Latin America.

Mining, fishing, forestry, and fruit cultivation are its dominant exports. Prime U.S. imports, according to the U.S. Commerce Department, are aircraft, spacecraft, civil-engineering and construction plant and equipment, machinery, computers, commercial vehicles, telecommunications equipment, and fertilizers.

Across the Andes, Argentina, an abundant producer of grain and meat, has shed billions of dollars' worth of unprofitable state-owned enterprises and infrastructure in the past two years, has reformed state spending, has cut the power of its industrial unions, and has thrown open its economy to imports.

An antiquated industrial base is sopping up U.S.-made office equipment, measuring devices, and food-processing equipment. Exports of gas- and oil-field equipment, electricity- and gas-distribution equipment, and telecommunications equipment offer "unusually good prospects," says the Commerce Department. These sectors are blossoming under privatization and modernization.

Brazil is among Latin America's dynamos, producing and consuming goods as diverse as satellites and tapioca.

Even with its economy and politics in disarray, Brazil has been importing over \$20 billion worth of goods and services a year; Brazil would easily triple or at least double that figure if it could achieve economic stability.

Market barriers are higher than else-

where in the region, and even items as commonplace as ballpoint pens require a license. But the fences are coming down, and the market is huge.

Aircraft and parts, computers and parts, telecommunications equipment, coal, medical supplies, and a wide range of capital equipment are the major categories of U.S. exports to Brazil. Consumer goods, which used to be protected behind high barriers, are also starting to flow in.

Venezuela is Latin America's Saudi Arabia in that its economic fortunes reflect those of the international oil indus-

try.

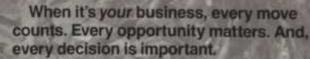
The well-managed energy sector, stateowned but now making provisions for significant private participation, has put together a \$40 billion, five-year expansion program that will consume large amounts of U.S. goods and services.

Export opportunities abound in oilrelated equipment and in construction machinery, business equipment and computers, iron and steel tubing, cars and car parts, diverse chemicals, and telecommunications equipment.



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Benefits Update

As a percentage of pay, benefit costs are growing at a faster rate than wages.

By Roger Thompson

SURVEY RESULTS

Benefit Costs Surge Again

or every dollar the average employer paid in wages in 1991, an additional 39 cents went to cover the rapidly rising costs of employee benefits.

When translated into dollars and cents, benefit costs per employee averaged \$13,126 in 1991, up 5.8 percent from \$12,402 the year before, according to the annual *Employee Benefits* survey conducted by the U.S. Chamber of Commerce. (See also Dateline: Washington, on Page 12.)

"Overall benefit costs grew faster than wages in 1991," says Martin Lefkowitz, the Chamber economist who directs the survey. "Benefit costs now equal 39.2 percent of payroll, up from 38.4 percent in 1990, and 37.6 percent in 1989." Payroll costs rose 3.5 percent in 1991, about half the rate of benefit costs.

When the Chamber's 1992 survey results become available next December, total benefit costs most likely will exceed 40 percent of payroll for the first time since the Chamber began conducting the survey annually, in 1979, says Lefkowitz.

The 1991 survey received responses from 1,008 companies, 249 with fewer than 100 employees and 112 with more than 5,000 employees. Altogether, the survey covered 3.2 million employees, making it the largest survey of its kind.

The survey measures changes in a number of employee benefits, including the employer's share of Social Security payments; workers' compensation, medical, life, and disability insurance costs; pensions and contributions to savings plans; and vacations and paid holidays.

All of the upward pressure on benefit costs in recent years has come from just two of these categories: medical and retirement plans. As a percentage of payroll, medical and retirement benefits each have grown by roughly one percentage point since 1989. Medical costs in 1991 pulled into a dead heat with vacations as the most expensive employee benefit, with each costing 10.4 percent of payroll. Vacation costs actually have shrunk slightly since 1989, down from 10.8 percent of payroll.

Medical costs, including disability and retiree health insurance, averaged \$3,465 per employee in 1991, a 58 percent increase from four years ago, when the cost was \$2,189.

Health insurance apart from other medical costs increased 10.2 percent in 1991, to \$2,614 per employee from \$2,371 the year before.

The doubledigit rise in health insurance comes despite widespread efforts to curb the cost of medical coverage. By far the most popular strategy was to shift a larger percentage of overall costs to employ-Lefkowitz ees. says that "em-

ployees absorbed 38 percent of the incremental increase in medical costs in 1991," up from about 15 percent of medical-cost increases in previous years.

The survey also found that 73 percent of employers had increased the deductible paid by employees, or instituted a deductible where none had existed. Also, 48 percent of employers had increased the amount of the health-insurance premium paid by employees. "This might be why we're seeing such a big push for health-care reform, because employees are paying more and more," says Lefkowitz.

Managed-care techniques also have become widespread, with 78 percent of the employers requiring preadmission certification before entering the hospital, 49 percent requiring second opinions before optional surgery, and 26 percent limiting employees' choice of doctors.

The survey also showed a continuation

Employers' Benefit Costs In 1991 Cost of Benefits of Payroll Per Employee **All Industries** 39.2% \$13,126 All Manufacturing \$14,317 38.8% Rubber, leather, and plastics 50.5 17,189 Food, beverages, and tobacco 44.8 14,434 . Fabricated metal products 43.7 13.529 Primary metal industries 41.7 13,725 = Machinery (excluding electrical) 14,587 41.3 · Transportation equipment 40.6 16,549 = Stone, clay, and glass 37.5 10,504 Instruments and misc. manufacturing 37.2 14,564 # Pulp, paper, lumber, and furniture 36.6 11,426 Textile products and apparel 8,210 Electrical machinery and equipment 35.5 13,526 Petroleum industry 34.9 15,185 Printing and publishing 34.2 11,185 - Chemicals and allied products 32.2 12,937 All Nonmanufacturing 39.4% \$12,761 · Public utilities 44.6 19,375 · Misc. nonmanufacturing industries 38.3 12,297 · Insurance companies 38.0 12,571 * Trade (wholesale and retail) 7,648 37.7 · Hospitals 35.7 9,398 Department stores 31.0 5,478 Banks and finance companies 30.9 SOURCE U.S. CHAMBER OF COMMERCE

> of the trend toward offering employees flexible benefit plans, Seventeen percent said they provide cafeteria benefit plans, which permit employees to choose from a variety of benefit options; 29 percent offered a combination of flexible benefits and traditional fixed benefits. The 1990 survey found only 14 percent offered cafeteria plans, and 27 percent offered mixed plans.

> While the cost of pension, savings, and profit-sharing plans went up, so did the percentage of companies not offering any

form of retirement plan.

On average, companies contributed 6 percent of payroll to retirement plans of all types in 1991, up from 5.5 percent in 1990 and 5.1 percent in 1989. At the same time, the number of companies without retirement plans grew to 16.4 percent, up from 15.2 percent in 1990.

In addition to analyzing changes in

benefit payments, the survey provides comparisons by industry and region. For example, public-utility workers received the most in benefits, \$19,375 per employee, compared with department store employees, who received the least, \$5,478 per employee.

Regional differences in medical-insurance costs are striking. The gap between the highest- and lowest-cost regions is 79

percent.

Employers in the Northeast on average paid \$4,864 per employee for health insurance in 1991, compared with \$2,714 in the East North Central region, which includes Illinois, Indiana, Michigan, Ohio, and Wisconsin.

Benefit costs will continue to rise, says Lefkowitz, in part because benefit issues have become the focal point of social legislation in the 1990s. "Mandated benefits," he says, "are used to transfer the burden of social legislation from the public sector, where funds are exhausted and tax increases will no longer be tolerated, to the private sector, where the costs are not apparent."

HOW TO ORDER

Printed Copies And Software

Copies of Employee Benefits, 1992 Edition are available for \$25 each, plus \$2.95 postage and handling. Add appropriate sales tax for deliveries to California and the District of Columbia. Quantity discounts are available.

To order, write to Martin Lefkowitz, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Make check or money order payable to the U.S. Chamber of Commerce.

To order by phone, call 1-800-638-6582; in Maryland, 1-800-352-1450, between 9:30 a.m. and 4:30 p.m. Eastern time.

Also available is the Employee Benefits Analyzer, a computer software program that allows companies to compare benefits with those in the same industry, sector, geographic region, and size category. The program costs \$95.

This year, the program contains a model benefits letter that can be used to inform employees of how their company benefits compare with others in the same industry.

The program runs on IBM and compatible computers with a minimum 256K RAM and the DOS operating system, and it is available on either 51/4- or 31/z-inch diskettes. The computer program is available through the address or phone number listed above.

The survey publication and software can be purchased together for \$115.

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Quality Management Targets Health Care

When TQM is applied to running a hospital, patients benefit—and so does the bottom line.

By Elaine Zablocki

t The George Washington University Medical Center, in Washington, D.C., cancer patients used to wait 11 hours or more for chemotherapy treatments; today, the average wait is less than two hours.

At Overlake Hospital Medical Center, near Seattle, a new fast-track system for handling emergency room cases gets people with simple injuries in and out the door in half an hour.

percent of the nation's total economic output, according to the Commerce Department. Health plans purchased by businesses account for about one-third of total health expenditures.

"The waste is astronomical," says A. Blanton Godfrey, chairman and CEO of the Juran Institute, a consulting firm based in Wilton, Conn. "At least 20 percent of the lab tests are unnecessary. Every infection is waste. Every complica-



A TQM team headed by Dr. Robert S. Siegel, center, implemented service improvements in the Oncology Department at The George Washington University Medical Center, in Washington, D.C. The team included Quinn Collins, Nursing Unit coordinator, and Cliff Hardesty, director of pharmacy services.

In each case, the same quality-management techniques that have produced performance breakthroughs in other industries are being applied to hospital management, with encouraging results.

Perhaps no American industry could benefit more from adoption of Total Quality Management (TQM) techniques than health care. Experts maintain that a huge portion of the nation's annual healthcare expenditures can be attributed to waste and inefficiency. Spending on health care nationwide last year hit a record \$838.5 billion, equivalent to 14

tion after open-heart surgery is wasteand triples the bill."

While health-care reform is a priority of the Clinton administration, congressional debate in the past has focused on overhauling the delivery system, making sure all Americans have access to affordable care. TQM would complement that effort by focusing on improving the processes involved in delivering quality service, often with the benefit of cutting costs.

"By reducing the number of infections, which means improved quality for patients, a hospital also saves a bundle of money," says Godfrey. "There are wonderful synergies. In many cases, highquality care actually costs less."

Although quality techniques have been applied for over a decade in manufacturing industries, TQM is a relative newcomer to hospital management. Interest in the idea increased in the late 1980s after 21 hospitals participated in a project designed to demonstrate the application of TQM to health-care delivery. The hospitals reported the results of their efforts in June 1988. An extended version of their reports was published in 1990 in a book titled Curing Health Care: New Strategies for Quality Improvement (Jossey-Bass).

Not all the hospitals produced success stories, but many did. Subsequently, more and more hospitals have decided to quality-management techniques, though they remain the exception, not the rule.

The George Washington University (GWU) Medical Center, for example, has successfully applied TQM techniques in a number of departments. Not long ago, patients often didn't get medicine delivered in a timely fashion. Prescriptions sometimes got lost. As a result, "there was a major war between nursing and pharmacy," says Roger Chaufournier, assistant vice president for quality. "It rivaled Desert Storm."

When an interdisciplinary TQM team of GWU staff members studied the problem, it found no one was at fault, he explains; it concluded that the system just didn't work. Physicians wrote prescription orders on patients' charts, but since so many people needed the charts, the instructions reached the pharmacy hours later or never arrived at all. The pharmacy was then blamed for losing the doctors' orders.

Once the team discovered the real problem, it was relatively easy to develop a system to speed prescription orders directly to the pharmacy.

There were similar problems within the GWU oncology unit, where patients would arrive at noon to begin elective chemotherapy. Sometimes they had to wait until midnight or later before treatment started.

"We dissected the process of admitting a patient to the hospital, and it turned out to be much more complicated than anyone had imagined," says Dr. Robert Siegel, medical director of the oncology department.

A TQM team found ways to improve the

Elaine Zablocki is a free-lance writer in Arlington, Va.

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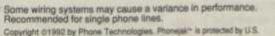
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MANAGING

process. Today, the patient's doctor faxes the chemotherapy prescription to the hospital at least 24 hours before the patient arrives. All the admissions paperwork is done ahead of time, rooms are prepared in advance of patient check-in, and attending physicians try to discharge patients early in the day.

"Advance planning for elective admissions has made a big difference," says Siegel. "The average time between admission and start of chemotherapy decreased from 11 hours to less than two hours." This often cuts a full day from the patient's hospital stay, trimming the bill by more than \$1,000.

TQM stresses the importance of listening to customers-patients, in the hospital setting-and trying to meet their

When Overlake Hospital Medical Center, near Seattle, found that emergency date visiting family members. The rooms also have a reclining chair for fathers who want to spend the night.

Because Overlake emphasizes customer satisfaction, the hospital regularly invites a select number of patients to take notes on how they are treated during their stay. "They're our 'mystery patients," Jeghers says. "Retailers and the airline industry have used this concept for years. No one on our staff knows who the mystery patients are. After they recover, we take them out to lunch and debrief them about ways we could improve our performance."

Another basic quality-improvement principle is good communication. Overlake believes in it so much that the hospital has a computerized communications center in the cafeteria. Any employee, patient, or visitor can key in a question, or make a comment, says



The maternity center at Overlake Hospital Medical Center, near Scattle, was designed with the involvement of a staff TQM team that kept patients' concerns in mind; here, nurse Patricia Haines meets with patient Linda Pruitt and her family.

room patients with cuts and fractures felt they were waiting too long for treatment, a TQM team came up with creative solutions.

"Now we care for patients' needs first and do the paperwork afterwards," says Overlake's president and CEO, Sanderson Jeghers. "We set up a triage desk at the front door, with a 'fast-track' care unit. Patients with simple injuries used to wait for an hour or two; now they're out the door in half an hour."

A TQM team, including doctors and nurses, also got involved in designing the new maternity center. After listening to patients' concerns, the team suggested that all new mothers should have private rooms with sufficient space to accommoJeghers. "We review their feedback every

The hospital also uses the system to disseminate the latest internal news and information. "We try to post our most important news every day, so if someone hears gossip through the rumor mill, they can easily check it on the computer," says Jeghers.

Overlake's emphasis on meeting the needs of patients and employees has been good for the bottom line. "In 1991, we cut our operating costs by 10 percent, using TQM teams," Jeghers says. "Seattle has some of the lowest health-care costs in the country, but our operating costs are 31 percent below any comparable hospital in this market."

lthough relatively few hospitals have well-established TQM programs in place today, quality-management programs may be a requirement in the near future. The Joint Commission Accreditation on Healthcare Organizations (JCAHO), an influential body that accredits 90 percent of U.S. hospitals, is revising its standards to include quality-improvement methods.

"In the past, there has been a tendency to focus on problems and the individuals supposedly responsible for the problems," says Dr. Paul M. Schyve, JCAHO vice president for standards and research. "In the future, our focus will shift to systems and processes."

The JCAHO accreditation standards for 1993 ask whether hospital leaders, including the CEO and senior managers, are developing plans to assess and improve hospital processes. The 1994 standards, which have not yet been published, most likely will include more-specific requirements for data collection and performance improvement, says Schyve.

In addition, JCAHO is developing a national database of performance indicators, such as cancer-survival rates, death rates after coronary bypasses, the number of patients who develop infections after surgery, and the time it takes to transport accident victims to the hospital. By 1996, hospitals will be required to gather this data as part of JCAHO accreditation. Eventually, JCAHO will give each hospital regular reports comparing its performance with the performance of other hospitals.

Chip Caldwell, president and CEO of West Paces Medical Center, in Atlanta, says even up-to-date statistics are not enough. "The business community should ask the quintessential TQM questions: Show me how you achieved your results. Show me that you weren't just lucky. Most importantly, show me the process you plan to use to achieve even better results in the future."

At Caldwell's hospital, small-business owners are invited to drop in for informal talks with the director of corporate health services and the vice president for medical affairs. "We're looking for ways to improve the health system from within," says Caldwell.

Right now, hospitals such as West Paces, Overlake, and The George Washington University Medical Center are industry leaders in quality-management improvement. Most hospitals are just now beginning to learn about the benefits of TQM. But as news about TQM spreads, and as JCAHO increasingly emphasizes quality improvement to achieve accreditation, TQM probably will be coming soon to a hospital near you.

Window Shopping At The Drive-In

For convenience, speed, and security, many consumers prefer to be served in their cars—and businesses are obliging.

By Julie Candler

ast October, a Dunkin' Donuts franchise in Malden, Mass., installed a drive-up window at the shop, and that window already accounts for 30 percent of the store's business. Moreover, the window is expected to increase the shop's sales volume.

Drive-in convenience is proving to be such a sales stimulant that when it builds new Dunkin' Donuts franchises, the parent company, in Randolph, Mass., plans to include drive-up and walk-up windows wherever the physical layout makes it feasible.

In the early morning, Dunkin' Donuts has found, most of the business at its shops is at the drive-up windows. Customers on their way to work don't have time to park and go inside for their morning coffee and doughnuts. They prefer to wheel up to a window.

Like morning commuters, many other consumers are showing that they prefer service while seated in their cars. And entrepreneurs of small and large businesses alike are finding that drive-up windows, by increasing convenience for customers, can increase their profits.

The business-from-the-automobile concept that began decades ago with movie theaters, restaurants, and banks has spread to many pharmacies.

banks has spread to many pharmacies, lumberyards, dry cleaners, liquor and convenience stores, and other establishments. Whether it's called a drive-in or drive-up window or a drive-thru, the purpose is the same: convenience and fast service, and, for those customers who seek it, the security of remaining in one's

"Consumers are so time-constrained that they are looking for convenience," says Ron Paul, president of Technomic, a marketing-consulting firm in Chicago. He says that adding drive-in service is a way to grow for many businesses "if they can do it on their real estate." A drive-in window provides an additional sales opportunity and probably attracts some impulse buyers who otherwise wouldn't stop by.

Security-conscious consumers also find drive-in windows appealing, Paul says. "At night, there are security advantages.



Do-it-yourselfers and contractors alike pick up lumber at the HomeBase Warehouse in San Bernardina, Calif.

People may prefer pulling up alongside a window to getting out and walking through a parking lot."

Drive-up windows sometimes require adding employees. It takes at least one extra person to handle the new drive-up business at the Dunkin' Donuts store in Malden, according to manager John Malachowski, but he expects the added revenue from the window to far exceed the additional cost of labor.

Shopping On Wheels

In the retailing industry, the drive-up concept is taking shape at stores of almost all descriptions. At the HomeBase Warehouse in San Bernardino, Calif., for example, about 200 cars a day pull in and load up at the 50,000-square-foot drive-thru lumberyard.

The parent firm, HomeBase, Inc., of Fullerton, Calif., remodeled the homeimprovement store in early 1992 to incorporate a 20,000-square-foot nursery and the drive-thru lumberyard. The drive-thru lets customers drive into the lumberyard to pick up their goods, and then drive up to the cashier's booth to pay.

"The drive-thru has had a good response, particularly from building professionals and contractors," says Carol Elfstrom, public-relations director. "The evidence is that it's increasing volume at the store, so we believe it was a good investment."

Another lumber and home-improvement store, Grossman's Inc., of Braintree, Mass., began adding drive-thrus to its stores in 1989. The chain now has covered yards at 18 of its 114 stores throughout New England.

The drive-thru operation doesn't necessarily require more employees, except for the cashier near the gate, according to Jim Harris, the store's broadcast/public-relations manager. "The drive-thru is a real plus, and we will add more in 1993," says Harris. "It has increased volume and enhanced contractor business. They like the time-saving [convenience] of being able to drive in, load up, and cash out at the outside register."

Drive-ups are also being installed at some pharmacies, typically to serve those too ill to walk into the store, the elderly, parents with small or sick children, and those with disabilities. In bad weather, pharmacists say, customers—whether sick or well—often prefer the drive-up window.

Medicap Pharmacies Inc. of West Des Moines, Iowa, adopted the concept of drive-up windows in 1985 and now offers them at 49 percent of its 87 franchises. For stores with the service, about 20 percent of their business comes through the windows. At some outlets, its usage

reaches 35 to 40 percent.

"We have no doubt the drive-up service has increased our volume," says Charles Porter, vice president of operations and a pharmacist himself. He predicts the 21year-old chain's sales volume for 1992 will exceed \$56 million; sales for the previous year came to \$44 million.

All of the stores are franchised to the pharmacists who own them. The chain is adding 15 to 20 stores per year, and it

MARKETING

plans to equip them with drive-up windows whenever possible.

For some small-business owners, a drive-up window provides the bulk of the business, while for others, it may add just a few more customers.

Ed Sosby, owner of Main Street Liquor in Paris, Ky., says 65 percent of his business is from the drive-up window. Customers purchase beer, wine, and liqing no interior seating (some have outdoor, umbrella-covered picnic tables), occupying small structures with bare-bones decor, and limiting their menus to simplify operations and minimize delays.

Double drive-thrus also keep down real-estate costs by requiring minimal parking. Lot sizes are approximately 15,000 to 20,000 square feet.

The concept was pioneered by regional

store, a prototype, opened in March 1992, and generated annualized sales of about \$600,000, most at dinner time. The firm's eventual goal is to have 2,000 Fastino's nationwide.

Double drive-thrus are designed to serve busy customers who want inexpensive food fast.

A typical Rally's restaurant serves about 725 cars per day. Rally's, the largest chain of double drive-thrus, operates more than 420 stores.

Checkers Drive-Ins has more than 200 stores, and each serves an average of 600 to 800 cars a day.

Another fast-growing restaurant with high-speed service borrowed an idea from the 1950s. Sonic Industries Inc. of Oklahoma City offers '50s-style carhop service at its franchised chain of Sonic Drive-Ins, which promise "service with the speed of sound." Sonic says its carhops deliver burgers and other food within four minutes after they are ordered.

In the first earnings statement since becoming a public company in early 1991, Sonic reports that net income for the first nine months of 1992 was nearly four times larger than net income for the same period in 1991. The company now has 1.150 units in 22 Sun Belt states.

The Ultimate Drive-Up

Car service is ordinarily thought to provide the mundane things of life, but for some entrepreneurs it has a place among the sacred.

In Las Vegas, a bride and groom can pull up with their license at the Wedding Window, and a nondenominational ordained minister will lean into their car and pronounce them husband and wife.

Perhaps the ultimate in drive-up windows, however, is provided by establishments such as the Andrews Funeral Home in Detroit. There, as at some other funeral homes across the country, the families of the deceased may request that the departed one be placed next to a drive-up window with a canopy. At night, the area is lighted.

Busy friends and relatives unable to visit during the funeral home's regular hours may drive up, view the deceased, and sign the visitors' register, which is under the canopy. This service was instituted more than 20 years ago for automotive workers whose shifts did not permit them to pay condolence calls during regular visiting hours.

At Gatling's Chapel on Chicago's South Side, drive-thru visitation is available via remote television. Visitors may pull up under a drive-thru canopy, press a button, view the deceased on a 25-inch TV screen, and sign the register.

No disrespect is intended, of course. Rather, this service, like the other drivein services, is designed for the convenience of the consumer.



uor from their cars and trucks. Sosby and his clerks will carry a case of beer or other heavy orders through a nearby door and load it into the customer's vehicle.

The drive-up window at Munson Cleaners in Lathrup Village, Mich., was installed to help people who had difficulty leaving their cars because of disabilities. Other people as well use the service, says co-owner Pat O'Neil, including parents with sleeping children and customers who arrive in bad weather.

Food On The Move

While the major fast-food chains offer drive-up service at many of their outlets, some regional chains now provide only drive-up or walk-up service—no seating inside the store. It's called the double drive-thru. Typically, it's a no-frilis structure with a window on each side, allowing two automobiles—one at each window—to be served simultaneously. Most drive-thrus are arranged so that service is provided to the driver of one car and a passenger in the other.

Double drive-thrus cut costs by provid-

chains, such as Checkers Drive-In Restaurants, Inc., in Clearwater, Fla., and Rally's, of Louisville, Ky. These restaurants are so successful that both are opening several new franchises or company-owned stores a week. Checkers began operation in 1985 and now has average annual sales of \$960,000 per store. Checkers' profits grew from \$1.9 million in 1991 to \$7.5 million for the first nine months of 1992.

Meanwhile, many of the large chains, such as Burger King and Pizza Hut, are testing the market for double-drive-thru concepts of their own. "The key is keeping costs down," says Pat Williamson, executive vice president of Pizza Hut, a PepsiCo subsidiary.

Williamson is nurturing Pizza Hut's new double drive-thrus, called Fastino's, which serve pastas and pizzas. A Fastino's unit occupies 590 square feet, while a typical Pizza Hut with sit-down eating is closer to 3,000 square feet, according to Williamson.

Fastino's has two stores in Wichita, Kan., Pizza Hut's home base. The first

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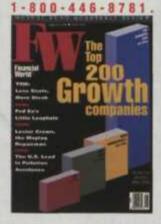
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Offices Go Digital And Portable

By Jon Pepper

any authorities in the computer industry see the small-business office equipment now appearing in stores as technology of the 21st century. These so-called multifunction products include printing and copying capabilities and can save businesses money, time, and even space.

"We are seeing the first fingers of dawn streaking over the horizon" and casting light on the next generation of tools for enhancing office productivity, says Barry Tepper, an analyst with BIS Strategic Decisions, a technology market research firm based in Norwell, Mass.

Even today's entry-level multifunction devices possess some or all of the capabilities of full-functioned laser printers, image scanners, fax machines, and copiers. They achieve this remarkable diversity thanks to clever engineering and powerful digital technology—the same family of technology used in today's audio compact-disc players and tomor-

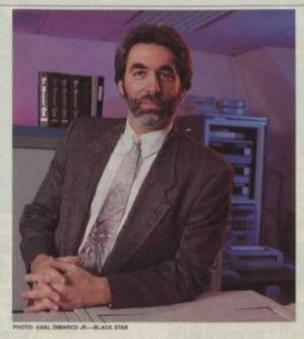
row's high-definition television sets. And although these products tend to be a bit more expensive than one-function peripheral devices, they are cheaper than the total prices of the several stand-alone peripherals they can replace.

"This already is a very productive tool" for creating and processing documents, says Norman Weiner in referring to the \$3,999 DOC IT, the first multifunction product from Okidata, of Mount Laurel, N.J. Weiner is chief information officer at Duane Morris and Heckscher, one of Philadelphia's largest law firms, with more than 500 employees.

Weiner was attracted to the DOC IT by its combination of functions in a single, compact box. (See the full description of the DOC IT at right.) Earlier high-quality document-processing devices, most notably the \$235,000 Xerox DocuTech, are much larger.

Weiner plans to buy more DOC ITs or similar devices rather than single-function products. He says: "Why replicate hardware? With this [DOC IT] system, I can print a letter, sign it, copy it, and fax it without getting up from my chair."

Steve Hudson, a technical-support specialist at Louver Drape, a Santa Monica, Calif., drapery manufacturer, says that



A multifunction product lets Norman Weiner print, sign, copy, and fax a letter without leaving his chair.

the versatile DOC IT has increased his company's productivity "significantly." Hudson had concerns initially about the reliability of a four-in-one product and the quality of its print production, but he says the drawbacks to multifunction devices appear to be few. In fact, he says the only thing that would keep him from recommending a large-scale purchase is that the new multifunction peripherals haven't advanced technologically yet to the point that they can be included as devices on a network. "Once you can network a product like this, I would stick it everywhere," he says.

According to a BIS study of what office products people intend to buy, 31 percent of respondents said they would buy a multifunction device instead of a new single-function device. And as more office equipment buyers read about these products, says BIS analyst Tepper, that percentage should increase dramatically.

Research indicates that the U.S. market for multifunction peripherals will be at least \$4 billion by 1996, and that estimate could be very low if the technology of miniaturizing digital products advances significantly over the next several years.

However, traditional single-function

Here's a look at the latest in multifunction devices, printers, fax machines, copiers, and other office equipment for small firms.

> devices certainly will not disappear, particularly at the high end, where absolutely first-rate quality output is of paramount importance.

> One other office trend that is gathering momentum is the extension of the office to remote locations. (See "Managing From A Distance," on Page 24.) These long-distance offices are possible because of the communications devices being built into today's notebook PCs and through a new breed of even smaller hand-held devices.

"That there are so many penbased, hand-held, and note-padsized products on display now proves that manufacturers are beginning to look at the area where you blend communications technology and computing technology," says Gil DeLiso, director of sales and marketing for the Wizard division of Sharp Electronics Corp. How popular are these devices? Sharp already has sold more than 1 million Wizards, and it is but one of a slew of manufacturers who offer

portable organizers and communication devices.

For a preview of some of the hottest technology products for your office wherever that may be—read on.

Multifunction Devices

Okidata DOC IT (Okidata: 1-800-OKI-DATA). The DOC IT merges laser printing-eight pages per minute, 400 dots per inch-with copying, faxing, and scanning in one package roughly the size and weight of a conventional desktop laser printer. The unit, measuring 8.5 by 17.5 by 22.5 inches, coordinates functions through an interface board that plugs into the PC and uses Microsoft's popular Windows operating-system software. The DOC IT breaks new ground not so much in functionality but in delivering so much at such an attractive price. There are two models: the \$3,999 DOC IT 3000, with Hewlett-Packard LaserJet II compatibility; and the \$4,999 DOC IT 4000, which adds compatibility with Adobe Postscript file-description language.

Canon GP55 (Canon U.S.A. Inc.; 1-800-OK-CANON). Canon is another company looking to provide attractive multifunc-

SPECIAL REPORT

tion systems. The digital-imaging engine of the GP55, which is slated to be shipped in April, will offer more-robust capabilities than the DOC IT for those who need midrange volume levels. Features will include a 30-page-per-minute printer and copier, 400-dot-per-inch scanning and printing, and optional fax and data storage. The GP55 also will include some sophisticated software to better translate color images into black-and-white patterns when either copying or faxing. Pricing has yet to be established.

Riso RC6300 (Riso; 508-777-7377). Riso's RC6300 provides sophisticated digital scanning, color printing, and copying functions in a single machine. The unit can print in a choice of seven colors at up to 400 dots per inch, and its digital engine can be hooked up to either an IBM-compatible PC or an Apple Macintosh system with an interface box that includes its own central processing unit and both LaserJet and Postscript printing compatibility. The list price is \$13,995 for the digital engine and \$4,000 for the interface.

Gateware 3370 (Digital Design Inc.; 1-800-733-0908). A slightly different approach to integration is offered by Digital Design Inc. with its Gateware 3370. This product combines laser printing, faxing, telecommunications, scanning, copying, and general PC functions into a single product.

Features include a six-page-per-minute, Postscript-compatible printer, plainpaper fax, a 33MHz 486 PC, an 8-bit scanner, a modem, and associated software that helps integrate the various functions. The list price is \$3,995.

Printers

Today's leading laser printers offer features beyond high-quality printing, such as plain-paper fax capability and easy connections for local-area networks so many users can share one printer. Some of the best printers follow.

QMS 860 Print System (QMS Inc.; 1-800-631-2692). The QMS 860 Print System, nicknamed the Hammerhead, seemingly has all the right stuff. The eight-page-per-



Okidata DOC IT 4000

minute print engine can churn out documents at 600 dots per inch and at sizes up to 11 by 17 inches. Both PostScript Level II and LaserJet print languages are standard, along with 12 megabytes of RAM, 39 typefaces, and two slots to accommodate additional fonts or printlanguage emulations.

Powerful, elegant, and rugged (it is rated as able to print an average of 10,000 pages per month without any problem), the 860 Print System is an ideal office printer for midrange applications. The list price is \$4,595.

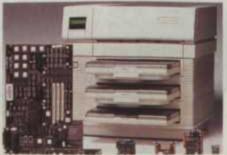
NEC Silentwriter Model 97 (NEC Technologies Inc.; 1-800-FONE-NEC). The Silentwriter Model 97 merges an engine that prints swiftly, a strong feature set, and a low price to provide a high level of value for office printing. The 10-page-perminute engine offers Postscript Level II and Hewlett-Packard PCL 5 emulation and can be connected to both Macintosh and IBM-compatible PCs. An optional LANCruiser adapter accommodates Novell/Ethernet networks.

NEC also uses Sharp Edge Technology in the printer, a technique that makes the 300-dot-per-inch output appear more like 600 dots per inch. One particularly notable option is the PostScript language fax (\$599), which adds high-quality, plainpaper fax capabilities to the printer. The list price is \$2.149.

Compaq Pagemarq 20 (Compaq Computer Corp.; 1-800-345-1518). For intensive-use network-printing demands in the office environment, Compaq's Pagemarq 20 is an ideal choice. The \$5,499 Pagemarq 20 is a truly outstanding network printer that delivers top-notch printed output at either 400- or 800-dot-per-inch resolution in PostScript mode (300 dots per inch in PCL mode) and excellent paper handling.

Powered by a 20MHz AMD 29000 RISC-type microprocessor, the 20-pageper-minute Pagemarq 20 uses a Fuji Xerox print engine and can accommodate an optional hard disk (\$549) for network job spooling—queuing of a print job—and font storage.

The printer has a back-lit, 32-character liquid crystal display (LCD) control panel to indicate job status and for easy access



Compaq Pagemarq 20

to printer functions. It comes with three paper trays for a total capacity of 1,500 sheets. For more capability, you can add a send/receive Postscript fax modem (\$399) and an Ethernet interface option (\$569).

Compaq also offers the Pagemarq 15 (\$3,999), which has the same features as the 20 but has a 15-page-per-minute print speed and 750-sheet paper capacity. Both products come with a year of on-site service and a money-saving toner-recycling program.

IBM Color Jetprinter PS 4079 (Lexmark International Inc.; 1-800-358-5835 or 606-232-2000). Color printing, while still the exception, is becoming more of a staple of the office environment. The IBM Color Jetprinter PS 4079 by Lexmark uses a RISC microprocessor to process data quickly and ink-jet technology to provide color output of 360 dots per inch. The list price is \$3,495.

With options for connecting to either Macintosh or IBM-compatible PCs, the 4079 also includes Postscript-compatible printing language, easy ink-cartridge replacement, and Pantone support for color matching with the leading printing industry standard.

The printer can accommodate plain paper, envelopes, and transparencies at sizes up to 11 by 17 inches, with a typical cost per page of about 15 cents. Fully compatible with leading network standards, the 4079 weighs just 22 pounds.

Hewlett-Packard LaserJet 4 (Hewlett-Packard Co.; 1-800-752-0900). While not specifically a network printer, the HP LaserJet 4 is notable as one of the best buys available in a desktop laser printer for the office.

Sporting a new eight-page-per-minute Canon print engine, the LaserJet 4 produces striking 600-dot-per-inch output, comes with 45 fonts that can be reduced or increased in size, and weighs in at just 35 pounds.

Of particular interest is the TrueType rasterizer, a feature that speeds printing of documents from applications that run under Microsoft Windows. Several network cards can be installed in the modular input-output (I/O) slot. Perhaps best of all, the list price is just \$2,199, and you



IBM Color Jetprinter PS 4079

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should be able to find the LaserJet 4 at healthy discounts.

Facsimile Machines

While sales of thermal-paper fax machines are still strong, more and more plain-paper fax machines are being offered at every price. Unless you have a compelling reason to consider thermalpaper faxing, we suggest a plain-paper model for new purchases.

LanierFax 5600 (Lanier Worldwide Inc.; 1-800-648-6423). With an attractive balance of features and modest pricing, the LanierFax 5600 offers plain-paper faxing from an LED print engine. A 14,400-bitsper-second modem supports one-page transmissions in as little as seven seconds. With 1 megabyte of memory, the Lanier-Fax can store up to 60 pages in memory, and an optional 1 megabyte of memory can be added to double that capacity.

The unit also offers 30 one-touch, speed-dial numbers, 120 two-digit speed-dial locations, and fax broadcasting to as many as 120 locations with a single command. The fax can also function as a low-volume copier. The list price is \$3,995.

Pitney Bowes Model 9550 (Pitney Bowes; 1-800-672-6937). Plain-paper fax convenience, high-speed throughput (seven-second page transmission), and a variety of advanced fax control features are all part of the Pitney Bowes Model 9550. The unit supports the ability to scan one document while another is being sent or received, multistation polling, and 200 speed-dial locations.

You can also enter up to 50 private mailboxes (or department codes), and there is a 30-minute battery backup to protect memory functions. Options include an RS-232 interface to connect the Model 9550 to a computer, and a hard disk that supports 1,000 speed-dial numbers and other memory-based functions. The list price is \$4,795.

Swintec SF1220 (Swintec Corp.; 1-800-225-0867). If your technology budgets are tight, the Swintec SF1220 can provide help by handling both your phone and facsimile needs on a single phone line. All



Hewlett-Packard LaserJet 4

incoming calls are automatically recognized as either a phone call or a fax and routed accordingly. (Devices that perform this line-switching function can cost \$100 or more.) Other attractions include a 32-character display, 256K of memory for out-of-paper fax reception, and a 10-page automatic document feeder. The list price is \$799.

Copiers

The copier market in general has not shown much revolutionary technology, but evolutionary changes are obvious in the machines' increasing prices and performance capabilities. Another advance is the move to more reliable and faster color systems. Some of the best copiers include:

Minolta CF 9760 (Minolta; 1-800-9-MI-NOLTA). At seven copies per minute, the Minolta CF80 offers some unique features for the office market. The 400-dot-perinch, full-color digital system uses an electrostatic copying mechanism. It can copy any two- or three-dimensional image, up to 11 by 17 inches, onto plain paper. Plus, the CF80 can be connected to a PC in order to either copy computergenerated art or function as a digital color printer. Copying features include reductions to 50 percent and enlargements up to 550 percent, a 750-sheet paper capacity, and a wide range of special effects. Pricing was not set at press time.

Mita DC-8585/AS-S8020 Tandem (Mita Copystar America Inc.; 1-800-858-MITA). For high-speed, high-volume copying, Mita's DC-8585 with the AS-S8020 tandem finisher is an office powerhouse. At 85 copies per minute, the DC-8585 is one of the faster copiers available through traditional dealer channels. Total paper supply is 4,850 sheets, and there are 100 sheets of online automatic duplexing available. Copies can be up to 11 by 17 inches, and reduction and enlargements of 50 percent to 200 percent can be accomplished in 1 percent increments.

The addition of the tandem finisher provides for stapling and sorting, with 20 bins standard; another 20 bins can be added. Up to 50 sheets can be stapled in each bin, and many hole-punching options



Mita DC-8585

are available for each sorted set. The base list price of the DC-8585 is \$30,995, and the base list price of the AS-S8020 is \$4,995.

Xerox 5775 Digital Color Copier (Xerox Corp.; 716-427-5400). If your business needs high-volume, top-notch color, the Xerox 5775 color digital copier may be an impressive solution. The first digital color copier from Xerox, the 5775, can turn out photorealistic, 400-dot-per-inch color copies at the rate of 7.5 copies per minute on letter-size paper, or 10 copies per minute for documents that use only partial color, For black-and-white copies, the 5775 can run at up to 30 copies per minute. The 5775 also can colorize black-and-white originals by using the built-in editing programs.

Several copier convenience features (enlargement, reduction, and so on) are standard. A color touch-screen CRT controls all job functions and copier features, and it uses both text messages and graphical icons for ease of use and operation. The 5775 also includes programmable memory cards to store job settings, a base paper capacity of 670 sheets, and an optional 1,750-sheet high-capacity sheet feeder and 20-bin sorter. Volume is 30,000 copies per month, and originals up to 11 by 17 inches can be accommodated. The base price of the unit is \$46,500.

For The Mobile Office

One of the most promising developments in office-equipment technology is the emergence of devices that extend the standard tools of the office to virtually any remote location. These devices include not only more conventional tools like notebook computers but also a new generation of smaller and more portable systems.

Tandy 3830 SL/C (Radio Shack/Tandy; 817-3909-3300 or 817-878-4969): Tandy's acquisition of GRiD Corp. has served it well by punching up the technology in its portable-computing line. The latest example is the Tandy 3830 SL/C, a 6.9-pound color notebook that has virtually all the equipment necessary to function as an extension of your office. Power comes from a 25MHz Intel 386SL processor,



Xerox 5775 Digital Color Copier

with an 80MB hard drive, and 4MB of memory standard.

The 84-key keyboard is augmented with an integrated minitrackball so that no external pointing device is needed. The real star here, though, is the 8.4-inch diagonal active-matrix LCD display, which provides exceptionally clear and vivid VGA-level color graphics. Support is included for simultaneous use of the LCD display and an external monitor, a bit of convenience for presentations. A number of power-management features are standard to prolong battery life, and the universal AC adapter allows for use worldwide. The list price for the 3830 SL/C is \$3,299.

Sharp OZ-9600 Wizard (Sharp Electronics Corp.; 1-800-321-8877). Sharp's OZ-9600 is the company's most powerful and useful Wizard organizer yet. The 9600 uses a graphical touch screen that accommodates written entries using Sharp's stylus and includes a range of built-in functions, including a calendar, scheduler, to-do list, card file, notebook, and word processor.

Data can be inserted by using either a standard QWERTY keyboard (about three-fourths the size of a standard keyboard) or a pen stylus. Both text and drawings can be easily jotted onto the screen, saved, and recalled. Other key features are built-in help and tutorial files, rapid backup, and a card slot to accommodate other software applications or additional memory. List price for the pocket-size, 15-ounce unit is \$649.

Toshiba Dynapad T100X (Toshiba America Information Systems Inc.; 1-800-334-3445). Pen computing hasn't exactly taken the office market by storm yet, but products like the Toshiba Dynapad T100X show promise. This 3.3-pound unit includes 4 megabytes of RAM, a 40-megabyte hard drive, a 25MHz AMD 386SXLV microprocessor, and a 9.5-inch transreflective, side-lit display for easy readability indoors or outdoors.

You can get the Dynapad with either GO Corp.'s PenPoint or Microsoft's Windows for Pen Computing installed. Both allow the user to record data with the included stylus in addition to mouse or

Pitney Bowes Model 9550

keyboard input and can recognize handwriting on the unit's screen.

Battery life is rated at up to three hours, and there are standard ports to take an optional keyboard, floppy drive, and serial and parallel ports. The Dynapad also features two industry-standard card slots for modems, fax modems, LAN adapters, and the like. The list price is \$3,499.

AST PowerExec 4/25SL ColorPlus (AST Research Inc.; 1-800-876-4278). Those craving an office-power system when traveling will enjoy the AST Power-Exec 4/25SL ColorPlus notebook. This power-packed, 6.9-pound PC uses a low-voltage, 3.3-volt Intel 486-SL processor to reduce battery consumption, includes two industry-standard expansion slots, provides up to 6.5 hours of battery life, and features 4 megabytes of RAM and a 200-megabyte hard drive. Microsoft Windows and an AST trackball that attaches to the front of the system also are standard.

The unit is topped off with a 9.5-inch, active-matrix, color LCD display that provides a choice of 256 simultaneous colors from a palette of 185,000 at 640 by 480 pixel resolution. The list price is \$4,995. Model 83 features an 80MB hard drive and lists for \$4,495.

Odds & Ends

While copiers, fax machines, and other major purchases dominate office budgets, no small business is complete without the assorted apparatus that help to fill out the office landscape. The various items presented here can help make your office run more smoothly and productively.

Intel OverDrive Processors (Intel Corp.; 1-800-538-3373). OK, technically the Intel OverDrive Processors aren't office products, but they can certainly help elevate your office computer to another performance level. The processors, which are single-chip upgrades to existing Intel 486SX and 486DX-based systems, can boost performance by as much as 70 percent.

A wide range of manufacturers, including IBM, NCR, Tandy, and Dell, offer



Tandy 3830 SL/C

OverDrive-compatible systems with sockets ready to accept the OverDrive chips. OverDrive Processors are available from many outlets, and prices vary by processor speed.

Apple OneScanner for Windows (Apple Computer Inc.; 1-800-776-2333). Imaging is becoming a more widely used part of office documents, and the Apple OneScanner is notable for its ability to add photographs or artwork to documents with relative ease.

The package includes the scanner, an adapter board that fits into an IBMcompatible PC, and control software called Ofoto for Windows, from Light Source, in Larkspur, Calif.

The 300-dots-per-inch, monochrome flatbed scanner is reliable and easy to install. The list price is \$1,299. Not surprisingly, a version for Macintosh computers (without the adapter board) is also available.

Epson ES-800C (Epson America Inc.; 1-800-BUY-EPSON). If you want to add color images to your work, Epson's ES-800C does a nice job at balancing photorealistic (16.7 million colors) color scanning at a moderate price. The unit supports documents up to 8.5 by 11.67 inches, has 800-dot-per-inch resolution, and comes with bundled software for scanner control and image retouching. The list price is \$1,898, including software and an interface kit.

Kodak Photo CD (Eastman Kodak, 1-800-344-0006 or 716-724-4000), Kodak's Photo CD is as much a technology as a product, pointing toward the future of color-image storage and retrieval. The technology allows photos from conventional 35mm film to be converted to a CD-ROM disk and then played back on a Photo-CD-compatible drive, available from Kodak and other vendors-

This new technology has widespread application to almost any type of business: insurance, real estate, graphic design, manufacturing, and so on. A large number of images can be stored, easily found, and displayed on screen, enhanced with any number of software packages, and printed.

M6



Apple OneScanner for Windows

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Family Business

Exercising your collective clout; dealing with overlapping perspectives; planning for an heir with special needs.

OBSERVATIONS

Exercise Your Political Power

By Sharon Nelton

So, we have a new president, and—for a few more months—all the hope and excitement that a fresh start can bring.

However, before the election, I heard a number of fears expressed about what having Bill Clinton as president would mean to family businesses. For certain, some said, taxes would be higher—including estate taxes, which can reach as much as 60 percent and pose a threat to the continuity of a family firm.



Make your voice heard, from the local level to Congress.

-Sharon Nelton

Whether taxes will rise remains to be seen. Right now, however, is the perfect time for family-business owners to pull themselves together and start to exercise political clout on a sustained basis.

I have never seen family businesses organize themselves effectively for longrange action on a national or even local or state scale.

There have been spurts of activity and pockets of action. But the organizations that result tend to be short-lived, ad hoc responses to crises (rarely a good business strategy).

A few local or regional organizations have emerged to focus on self-improvement and education, with programs on topics such as succession planning, strategic planning, communication, and the like—all needed and often good, but not what I'm talking about here.

What Γm talking about is an organization of family-business owners who would launch a long-term campaign to educate their government leaders and the public on the crucial importance of family businesses (and family-business continuity) to the economy at all levels.

What I'm talking about is an organization of family-business owners who would support vital research on family businesses. If your senators and representatives—and, yes, your president—knew how many people you employ across this land, wouldn't they think twice before

burdening your businesses with even more estate taxes that could destroy them and put people out of work?

But nobody really knows how many people family businesses employ because the research is not being done. Nobody really even knows how many family-owned businesses there are in this country or how much they really contribute to the economy. There are estimates, but there are no solid figures.

Family-business owners could follow the model of women business owners in the U.S. who have

been pressing for and supporting research so that they would finally get the documentation needed to get government and other businesses to take them seriously.

Having the facts has enabled them to gain more access to credit and to win enactment of laws and the establishment of programs that promote the development of women-owned firms.

Why have women business owners been so successful? Because they have exercised their collective clout.

You family-business owners out there should recognize your power and use it. Join together and make your voice heard on family-business issues, from the local level to the halls of Congress and the White House. Form coalitions on family-business issues with other organizations, such as local and state chambers and the U.S. Chamber.

If family-business owners don't do this for themselves, who will?

PLANNING

Two "Laws" For Family Businesses

By John L. Ward and Craig E. Aronoff

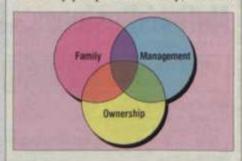
Our academic colleagues often ask, "What's different about family business? Why aren't regular business-school courses sufficient to cover their needs? That, of course, plus common sense about family relationships?"

Good questions!

We believe family businesses share two particular complexities that make them very different from other businesses. First, people involved in family firms must understand how family relationships affect the business and how business ownership affects that family, and they must keep those relationships in balance. Second, very intricate continuity planning is required.

Businesses and families have very different perspectives and rules. While businesses often rely on competition and merit, for example, families typically stress cooperation and equality. Consequently, if one member of your family business is more business-oriented and another is more tuned into family, they will see things differently.

Those who study family businesses commonly illustrate the family firm's complexity with a three-circle model showing how family, management, and ownership perspectives overlap, like this:



To show how this model works, let's consider a situation where a family member needs a job. The family perspective might suggest that providing a job in the business is a good way to help a family member in need. The ownership perspective might be concerned that doing so compromises the company's profits. The

PLANNING

management perspective might worry that the move would affect the expectations and roles of other employees especially those not in the family.

We believe that the first law of family

Learning Opportunities

paring for retirement.

The most successful business-own-

ing families we know take advan-

tage of the opportunities to learn

more about family business. Several

general business topics have partic-

ular value for those in family busi-

nesses, such as leadership, finance

for nonfinancial people, team build-

ing, career development, and pre-

priate for family businesses. These

include developing family purpose,

mission, and vision; understanding

the responsibilities of ownership:

coping with inherited wealth; and

understanding and managing the

and universities are now addressing

these topics. For more information,

follow the "Mark Your Calendar"

column in Nation's Business, or call

us at Business Owner Resources,

1-800-551-0633, for a listing of

sources for continuing family-busi-

ness education.

More than three dozen colleges

culture of a family business.

Other topics are uniquely appro-

business is:

Different people will see the same issues in predictably different ways, depending on their position in the family-business system.

The corollary to the first law of family business is that the successful chief executive officer must maintain all three perspectives simultaneously. The CEO must be a caring family member, an excellent executive, and a fiduciary and steward of the family assets. The result is a uniquely stressful job with many inherent role conflicts.

For each perspective, family-business leaders should be concerned about the continuity of their enterprises.

As executives, they seek managerial success and fulfill responsibilities to organization "stakeholders," including customers and employees. As owner-fiduciaries, they seek to maintain and further develop family assets. As family members, they hope to maintain the unique opportunities and benefits that accrue to families that own and manage successful businesses.

Family-firm leaders' concerns encompass both strategic planning and leader-ship succession planning for the business. As individuals, they also have to plan for their own retirements and their families' financial security, and they must find ways to minimize the death-tax burden that can threaten the very existence of family enterprises. What's unique about family businesses is that all these plans are interdependent and must be integrated to be effective. That leads us to the second law of family business:

The business's strategic plan, the leadership succession plan, and the owners' retirement and financial-security plans all depend on one another.

For example, the business's strategic plan depends on the values, interests, and talents of the next generation of leadership. Strategy also depends on the financial resources that are available after resolving owners' liquidity needs with respect to retirement and death taxes. Final transfer of leadership to the next generation is almost always held hostage until the parents are financially secure, independent of the business.

Members of family businesses often

feel that their experiences are unique. Having known hundreds of family firms, however, we have learned that family businesses share characteristics, experiences, and processes.

If you are a family-business member, you need to understand that it is normal for family members to have different perspectives on many issues. Learning to communicate and to manage your business in ways that make these perspectives assets rather than liabilities is a key to longterm family-business success. Fortunately, for those who will make the commitment. emotional energy,

time, and money, educational experiences that facilitate such learning are available. (See the box above.)

The second key is that you must integrate strategic, leadership-succession, and ownership-transfer plans. The complexity of these integrated plans requires special knowledge, skills, and perspectives. That's why we urge family firms to get help from outside directors and a council of first-class professional advisers. Use the expertise of those who have experience in the special opportunities and challenges of family business.



PHOTO: T. WICHAEL REZO

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

February-June, Albuquerque, N.M.

"Mastering Family Business" is a series of 10 workshops on topics such as family dynamics, negotiation, and creativity. Contact the College of Santa Fe at Albuquerque, 2201 San Pedro, N.E., Building #4, Suite 120, Albuquerque, N.M. 87110; (505) 884-2732.

Feb. 27, Denver

"Succession Issues in Family Owned Business" is a one-day seminar sponsored by the Family Owned Business Institute of the University of Denver. Contact Glyn Hanbery at 1-800-995-5553 or (303) 871-2032.

March 2, Hatfield, Pa.

"Strengths and Weaknesses of the Family Business: Implications for Succession and Continuity" is the theme of the Delaware Valley Family Business Conference, featuring Ivan Lansberg of Yale University. Contact Henry D. Landes Associates, Box 376, Harleysville, Pa. 19438; (215) 256-3011.

March 2-3, Corvallis, Ore.

A "Succession-Survival Hands-on Retreat" takes participants through a series of practical exercises on succession planning. Contact the Family Business Program at Oregon State University at (503) 737-3326.

Apr. 23-26, Miami/The Bahamas

"Advancing the Family Business," a seminar led by management consultant F. Eugene McGrath aboard a cruise ship. Contact Richard Polk, Captain Cruise, Inc., 2040 Broadway, Schenectady, N.Y. 12306; 1-800-347-3933.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Striet, N.W., Washington, D.C. 20062-2000.

A Family Member With Special Needs

Lazy Creek Farms is a profitable Subchapter S corporation owned by John Whitworth, 79, and his wife, Mary, 75. They have two sons-Lyle, 43, and Jake, 37-and they are especially concerned about Jake.

At the age of 6, Jake was injured in a farm accident while helping his father harvest oats. The accident left him a quadriplegic, and he is limited as to what he can do and how much he can contribute to the family farm.

Lazy Creek Farms owns 200 acres on which the family raises corn, soybeans, and oats. The Whitworths also raise about 1,000 hogs per year; Lyle is in charge of the hog business. In addition, the corporation leases and farms a 360-acre tract left in trust to John and Mary by John's



parents. John and Mary receive 80 percent of the net income from the trust, and each of their children receives 10 percent. The income from the trust will continue to benefit Lyle and Jake after their parents die. On his own, Lyle also rents and farms 450 acres next to Lazy Creek Farms.

John and Mary have said they intend to divide their assets equally between Lyle and Jake. However, Lyle is worried about Jake's ongoing expenses and his inability to contribute to the farming income. With a wife and children of his own, he wonders if he also will be able to look after Jake.

While they sympathize with Lyle's concerns about being his brother's keeper, John and Mary want to be assured that Jake is taken care of. They want to transfer the stock of Lazy Creek Farms to the two boys with the goal of preserving both the farm and family harmony. Considering Jake's permanent condition, how can they best structure the transfer of their assets?



Clarify Family Values First

Joanne C. Preston, chair and professor of management and enterprise at Kennesaw State College, Marietta, Ga.:

If Lyle and the family legacy are Jake's only means of support and if Jake's lifestyle and contribution are severely limited by his injury, estimating his financial needs should not be overly difficult.

Designation of the income from certain assets, perhaps the 360-acre farm already in trust, for Jake's support in his lifetime would be appropriate. The assets themselves could be left to Lyle or his children on Jake's demise. Lyle can receive other assets.

Perhaps more important than discussion of the worth of the family's assets would be clarification of the family's values. Since Jake's accident occurred 31 years ago, the Whitworths have had some time to come to grips with the reality of its results. The family needs to understand their answer to the question: "Am I my brother's keeper?"

Many families would answer that question affirmatively, and Lyle's responsibilities would be clear. Having reached that decision, the family should provide Lyle-to the extent possible-the means to fulfill his responsibility. Also, the Whitworths should focus on what Jake can do-not on what he cannot do.

If Lyle and his family cannot agree as to his responsibility, however, John and Mary will want to find a means to care for Jake. If Lyle prefers to go his own way, his parents have no choice but to let him, but their assets must first go to caring for Jake. In this situation, the assets in trust when Jake dies could be distributed to a charity-such as a clinic specializing in research on injuries like Jake's.

Ideally, Lyle will fulfill his parents' hopes, continue his own agricultural vocation, and find that he can bear the burden of his brother-especially since his extraordinary responsibility would be recognized by ultimate ownership.



Be Realistic About Goals

Peg Eddy, president of Creative Capital Management, Inc., a San Diego financial and investment advisory firm serving family businesses:

Jake's disability lends an added dimension to the multiple estate-planning concerns that confront John and Mary Whitworth. It may not be possible to accommodate all of their objectives. John and Mary

should acknowledge this before beginning any planning-that is, they should face the fact that it may not be practical to split their assets evenly between their sons.

First, the Whitworths should determine their own present and future income needs and examine their estate-tax status with advisers to develop an integrated strategy for themselves and their sons.

If warranted, Lazy Creek Farms could be restructured into voting and nonvoting shares, and, after having the corporate stock appraised, John and Mary could give some nonvoting shares to each son, even if fully utilizing their lifetime estate-tax credit. (A thorough shareholders' agreement conforming to Internal Revenue Service rules should be drafted, addressing ownership conditions, valuation, and a stock buyout triggered by certain events.)

The Whitworths might then consider a tax-free split-off, carving out appropriate business subsidiaries for each son-for

> example, management services for Lyle and leasable land for Jake. Thus, the farm would be kept in the family, income would be generated for Jake, and Lyle would be rewarded for his farming efforts.

> Additional strategies can be evaluated, such as disclaiming the trust income to fund a special-needs trust for Jake.

Once the Whitworths devise a plan, they should share the details with their sons so that Lyle becomes less anxious and Jake knows he will be financially secure.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright @ by the Family Firm Institute, Brookline, Mass,

EDUCATION

Job And School Under One Roof

Work-site schools get high marks for benefiting children, their working parents, and the sponsoring firms.

By Janet Beales

eorge Tash, owner of a small plumbing-parts company in Moorpark, Calif., doesn't mind that his 13-year-old son, Adam, accompanies him to work every day. In fact, he insists on it. That's because Adam attends school on the premises of his father's company, G.T. Water Products.

Tash's 24-year-old company is housed in a converted warehouse in the industrial district of Moorpark, near Los Angeles. The firm has 30 employees and annual sales of \$3.5 million.

The school that Adam and 15 other children of company employees attend is financed entirely by the company and is in an enclosed section of the firm's warehouse. The students at G.T. Private School range in

age from 5 to 13 and attend the school tuition-free. Because it is a private school, it is not required to have accreditation by any local or state agency. Nonetheless, its two teachers are highly qualified.

The students spend the bulk of their day pursuing academic interests, but, unlike most students, they study in a most unconventional setting. While their parents are at work assembling and shipping plumbing parts, the children are nearby studying the Constitution, learning multiplication, or writing essays at computer workstations.

In this modern one-room schoolhouse, children of varying ages work individually or in groups at their own pace. A small play area behind the warehouse and a nearby city park provide outdoor space for recreation. Occasionally the class travels to Tash's home to swim in his pool or create plays for the small theater the students built in his orchard.

The length of the workday, which runs from 8 a.m. to 4:30 p.m., matches the school day. Instead of hopping on the bus when school is over, the students commute home with their parents. For the



The school on his company's premises for his employees' children makes the workplace "more of a family affair," says owner George Tash, left. He and teacher Brian Kearsey check students' progress.

parents, the school constitutes an important employee benefit. "It takes the business from just a workplace to more of a family affair," says Tash.

Like a number of other business owners who have become involved in educational reform, Tash launched his school to create a positive educational experience for his own two children and for the children of his employees.

Similar goals of providing benefits for employees have led to creation of the many work-site schools—some private, others public—in operation across the nation. In Dade County, Florida, for example, the school district created what it calls a satellite learning center as a reform model "because we feel it brings education and business together for the benefit of the children," says Thomas Cerra, deputy superintendent.

To get his private school operating, Tash hired a former Montessori teacher, converted an unused part of his building into classrooms, and filed an affidavit with Ventura County to establish the school. The city council passed a zoning ordinance to allow the school to operate within the company's industrial surroundings, which Tash says was not difficult to accomplish. Once the county inspected

the warehouse for health and safety, the satellite school was opened for business.

Tash's annual operating expenses for the school come to just under \$50,000, which includes compensation for the school's one paid teacher, school supplies, computer equipment, and visiting instructors who expose the students to music and other subjects that they might otherwise have to forgo. A second teacher, a parent of one of the students, volunteers at the school full time.

Because all the students are children of his employees, Tash's insurance costs for the company remained the same despite the addition of the school. Fund-raising efforts by students and their parents enable the school to afford occasional luxuries such as a recently purchased secondhand piano.

n a number of places around the country, satellite public schools are being launched by private companies, which typically donate the land and building and pay some of the school's operating expenses. For example, four businesses host four public schools on their work sites in Florida. In downtown Minneapolis, IDS Financial Services and Northern States Power Co. jointly estab-

Janet Beales is a policy analyst for the Reason Foundation, in Los Angeles. lished a public school in rented office space near the two host companies. In January, Hewlett-Packard opened a public satellite school at its facilities in Santa Rosa, Calif.

All of the businesses involved in establishing these schools have discovered unexpected benefits in doing so. Tash cites high morale, dedication, and employee loyalty. He says his employees "see we're doing a lot for them; they want to return the favor by putting in that extra effort." He also has discovered that his work-site school attracts desirable job candidates: "People who are really involved with their kids, who want to be near them, tend to be responsible employees."

That lesson is not lost on larger corporations eager to recruit top employees. In Dade County, Fla., American Bankers Insurance Group (ABIG), a private insurance company with 1,100 employees, uses its satellite school as an inducement in recruiting and retaining workers.

Established in 1987 as part of the local school district's efforts to ease classroom overcrowding, the Florida school now enrolls up to 90 children in kindergarten through the second grade. ABIG reports that work performance among the parents of children attending the school has risen substantially as a result of the school. Notably, absenteeism has dropped 30 percent and turnover has declined 9.5 percent among parents as compared with such figures in the years before the school was established, according to Linda Vann, director of Children's Services at ABIG.

Moreover, students' scores on standardized mathematics, science, and reading tests exceed the school district average, generating even more parental enthusiasm for the idea.

Says Vann: "When parents have peace of mind and are not worried about how their children are doing, they can put all their energies into their job."

Management at ABIG confirms her view. When asked to rate the productivity of parent employees compared with their peers, supervisors rated 70 percent of the parents school above average.

Unlike Tash's private school. ABIG's school is public and receives funds from the Dade County School District. Operating BS B partnership between the com-

pany and Dade County Public Schools, the school uses district teachers, classroom supplies, curricula, and administration. In return, ABIG constructed a separate building on its site to house the school and pays for utilities, landscaping, maintenance, and insurance; these costs come to about \$50,000 a year.

For ABIG, that is a small price to pay for the workplace enhancement the school brings to the company, says Vann. "The parents just don't ever think of going and looking for a job elsewhere because they are so happy with our school."

Taking the lead from ABIG, the Miami International Airport, Miami-Dade Community College, and Mount Sinai Medical Center also established satellite learning centers. The four satellites enroll a total of more than 200 elementary students, and it may be just the beginning of such efforts



Supervising recess at the American Bankers satellite school are parent Ruby Bennett, left, and teacher Patricia Brock.

in the area; more satellite schools are likely to be launched in Dade County.

The satellite-school idea is especially popular among the nurses of large hospitals. To recruit nurses, two more hospitals in the Dade County area soon plan to establish satellite schools at their facilities. Discussion has also focused on establishing schools at park-and-ride locations.

To encourage more such cooperation between schools and businesses or organizations, the Florida Legislature passed a measure in 1990 granting local tax exemptions for businesses that have dedicated property for a satellite school.

But the incentive for a number of business people, such as Tash, in establishing a work-site school was not financial gain but educational excellence. Has the effort at his firm been worthwhile? Says Tash: "If the children come out brighter and more capable to make the world a better place, then I would say, yes, it's worth the investment."



First-grade teacher Karen Bourgmann reads to a class at the American Bankers satellite school; the facility has become an inducement in recruiting workers.

More About Work-Site Schools

To find out more about G.T. Private School, contact Kristi Moore, G.T. Water Products: 1-800-862-5647.

For more information about the satellite learning centers in Florida, contact the Dade County School District, Bureau of Professionalization; (305) 995-1498.

"Satellite Schools: The Private Provision of School Infrastructure" is a study available for \$15 from the Reason Foundation, a public-policy research organization in Los Angeles. The study contains how-to information and sample contracts and is targeted at firms wishing to establish public satellite schools. To obtain a copy, call (310) 391-2245.

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Michael J. Koss

Why Noisy Fun Is **No Laughing Matter**

I was with my children at the Bradley Center in Milwaukee, listening to a performance by New Kids on the Block. The music not only could be heard, it could be

We weren't close to the stage. In fact, we were well above the performers and the audience, looking down from a sky box near the roof of the arena. In an effort to limit the ear-piercing sounds, I closed the glass windows of the box. The reduction in sound level was slight.

My son, who likes the music but knows that his hearing can be damaged by prolonged exposure to loud noise, put small foam ear plugs into his ears. We all did, and it worked. We enjoyed the rest of the concert, and we were able to hear each other talk about it as we drove home.

Not every family is as attuned to careful listening as ours. My children are the third generation to listen to music using stereo headphones made by the company that their grandfather founded. We quite literally have an investment in America's hearing, and my children can see their friends and even adults putting this investment at risk almost every day.

Consider what we Americans do to ourselves in the name of entertainment:

■ When the World Series was played at the Metrodome in Minneapolis in 1991, the noise level inside the "Thunderdome" exceeded 110 decibels (dB). By comparison, people who work near jet engines are subjected to about 140 dB-but they wear ear protectors.

■ When the heavy-metal rock band Metallica performed before a capacity crowd at the Bradley Center, we measured sound levels as high as 113 dB. Hearing may be damaged by prolonged exposure to sound above 85 dB.

 In an article about Chicago Stadium, home of the Bulls and the Blackhawks, Sports Illustrated reported: "The sound level in the stadium has been measured at 130 decibels, which is louder than the water thundering at the foot of Niagara

It is a telling commentary on America's



High-volume sports events and rock concerts may produce eventual hearing damage, but ear plugs can tone down the risk.

lack of knowledge about recreational noise that fans and casual participants in sporting events seldom take a hint from the professionals.

Commercial firing-range operators provide ear protectors and insist that customers use them. Recreational shooters, firing their weapons in a less-organized setting, seldom bother. At the Indianapolis 500, mechanics and crew members wear ear protection in the pits to cope with noise from the cars. But in the front-stretch grandstand-almost as close to the cars and filled with a roaring crowd-few race fans are protected.

Recreational noise is especially insidious because we become enthralled by the action on the rink or the performance on stage and don't even think about damage to the sensitive inner ear. Pain, which would quickly bring the danger to our attention, arrives too late, after harmful sound levels have been reached.

Unfortunately, hearing damage is cumulative and may not become apparent until well after the events that caused it have become a memory. Most Americans don't have their hearing checked except during childhood visits to a pediatrician. Teenage years spent frequenting basketball games in high-school gyms and rock concerts in enclosed arenas may result in hearing loss that is not detected until a person reaches retirement age.

The answer to the damage caused by

recreational noise lies in awareness, not in regulation.

The noise levels that can cause hearing damage are precisely defined and can be easily explained. What's missing is a widespread understanding among Americans that the sound-level meters that we display on the walls of our sporting arenas should be regarded as danger meters and not merely as instruments to measure support for the home team.

As with most forms of education about the hidden pitfalls of living, the best place for building an awareness of safe listening habits is the home. Unfortunately, parents themselves seem unaware or unconcerned. Most children who are subjected to high sound levels at sporting events are taken to those events by their parents, who teach them to cheer, driving the decibel meter higher and higher.

If teenagers—and their parents—can be persuaded to pay attention to the threats to their hearing, protection is available. Foam ear plugs, each about the size of a cigarette filter, can cut sound levels by more than 20 dB, reducing most common recreational hearing threats to safe levels.

A few minutes spent talking with our children about threats to hearing, coupled with a determination to set a good example for them in our own recreational activities, could have highly beneficial results.

Michael J. Koss is president and CEO of Koss Corp., in Milwaukee.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

HOME-BASED BUSINESS

A Place To Live And Work

What is involved in starting a business at home?

G.M.V., North Miami Beach, Fla.

According to Paul and Sarah Edwards, home-based business consultants and authors of Working From Home, homebased business owners face three primary challenges: dealing with zoning problems, locating affordable health insurance, and achieving merchant status (for creditcard processing) at a bank.

To find out if you can conduct your business in a residential area, contact your local zoning officials. Typically, the primary concerns behind zoning laws are traffic congestion and prolonged parking in a residential neighborhood.

The National Association for the Self-Employed offers health plans to its members and publishes—for its members only—free booklets on various matters of concern to the self-employed, such as promoting your business, dealing with financial difficulties, and hiring.



RELIGITMENTONE MARTINA WAGGING

Nonmembers may request the associaion's free Small Business Resource Guide Book, which lists government agencies and offices that offer additional information for small-business owners.

For more information, write or call the association at PO. Box 612067, Dallas, Texas 75261; 1-800-232-6273.

Working From Home, published by Jeremy B. Tarcher, Inc., costs \$14.95 and is available in most bookstores or by writing to Jeremy B. Tarcher, Inc., 5858
Wilshire Blvd., Suite 200, Los Angeles,
Calif. 90036; 1-800-631-8571. In their
book, the Edwardses, who are also homebased writers and radio personalities,
cover the major aspects of setting up a
home-based business.

Another comprehensive book, Home Business Made Easy (Oasis Press), by David Hanania, "walks you through 135 businesses you can start and operate from home," to quote the cover. The book describes home businesses from the selection of one through start-up, operation, record keeping, and taxation.

Hanania's book also includes a comprehensive appendix of associations and organizations that can help small-business

Hanania founded the Home Business Institute, a White Plains, N.Y., clearinghouse of information, services, literature, products, and benefits for home-business entrepreneurs. The book costs \$19.95 and is available from PSI Research, 300 North Valley Drive, Grants Pass, Ore. 97526.

PET SERVICES

Care And Feeding

I am interested in opening a grooming and boarding facility for pets. Any idea on where I should go for help?

YW.K., Pembroke, Ga.

(Similar question from B.A.W., Irvine, Calif)

Help is available from a number of sources. Start with Building, Buying, and Operating a Boarding Kennel, by James Krack.

It is published by the American Board-



ing Kennel Association, is priced at \$16.95, and offers information on financing, bookkeeping, kennel design, insurance, personnel management, public relations, advertising, and other subjects of interest to boarding-kennel operators. For more information, contact the association at 4575 Galley Road, Suite 400A, Colorado Springs, Colo. 80915; (719) 591-

The National Dog Groomers Association of America—PO. Box 101, Clark, Pa. 16113; (412) 962-2711—offers research information on the industry for members only, and it publishes a number of booklets, newsletters, and directories that may be helpful.

Membership costs \$40 a year and entitles you to a wide selection of information on the industry.

The Chronicle Vocational School Manual (Chronicle Guidance Publications, Inc.) is a national directory of vocational schools, including those with programs in caring for animals. It is updated each September, costs \$19.98 (plus \$2.00 for shipping), and is available from Chronicle Guidance Publications, Inc., PO. Box 1190, Moravia, N.Y. 13118-1190; (315) 497-0330. Groom and Board (H.H. Backer Associates, Inc.), a newsletter published eight times a year, contains articles of interest to professional groomers and boardingkennel operators.

A subscription is \$25 a year and may be ordered by writing the H.H. Backer Associates at 20 E. Jackson Blvd., Suite 200, Chicago, Ill. 60604, or by calling (312) 663-4040.

Fish For Profit

I need information on raising fish to sell wholesale.

A.R.D., Chesapeake, Va.

John Nickum, a fisheries biologist with the U.S. Fish and Wildlife Service's Division of Fish Hatcheries, can help you with questions about getting started in the business.

The Division of Fish Hatcheries offers free information on how to start a hatchery and the conditions necessary to maximize your success.

You can write or call Nickum at the U.S. Fish and Wildlife Service, 4401 N. North Fairfax Drive, Room 480, Arlington, Va. 22203; (703) 358-1715.

RETAILING

Seasonal Sweets

What is involved in starting a gourmet candy shop in a seasonal area? M.A.M., Palm City, Fla.

Starting a business in a seasonal area requires some research on the community in which you plan to operate. You should examine competition in the area, seasonal population figures, accessibility for product delivery, rental costs, and the community's commitment to its business district.

Teri Shrum, in the member-services department of the American Wholesale Marketers Association, which tracks overall marketing information about the



confectionery industry, says she can give you a lot of information about the candy business, including the market for gourmet chocolates.

Shrum suggests that you request a free copy of the association's publications list, which includes several books and pamphlets on how to start a candy shop.

The association also can send you a free

membership kit, which contains descriptive materials about the association, information about its various seminars, and a copy of its monthly magazine, Candy Wholesaler.

You can contact Teri Shrum at the American Wholesale Marketers Association at 1128 16th Street, N.W., Washington, D.C. 20036; (202) 463-2124.

PATENTS

Protective Strategies

I need information on what is involved in getting a patent. J.L. Eau Clairs, Wis.

According to Oscar Mastin, public-affairs specialist for the U.S. Patent and Trademark Office, you must first determine if your device or process is eligible for a patent. Among the publications that can help you decide is General Information Concerning Patents, a brochure that describes the patent-application process and the forms you need if you apply on your own. The \$2.25 brochure may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Ask for stock number 003-004-00659-5.

You also can contact the Public Service Center of the Patent and Trademark Office, P.O. Box 2089, Eads Station, Arlington, Va. 22202; (703) 557-4636.

If you do not make your own patent application, says Mastin, you will need a patent attorney to handle the application. Attorney fees may be \$100 to \$300 per hour. Patent-application costs vary.

Make sure your attorney is listed in a U.S. Government Printing Office publication called Patent Attorneys and Agents Registered to Practice Before the United States Patent and Trademark Office. Your local library may have a copy.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

From the editors of Direct Line

The Small Business Resource Guide

What You Need To Know About Starting And Running Your Business

Nation's Business brings you answers to the most frequently asked questions from Direct Line, the popular advice column for small-business owners. The guide contains useful advice about:

setting up a business marketing retailing exporting franchising trademarks and copyrights patents financial planning managing people and much, much more.

Nation's Business' The Small Business
Resource Guide is a must for owners of new and existing businesses in the 1990s.
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Department, 1615 H Street, N.W.,
Washington, D.C. 20062.

The Small Business Resource Guide

What You Need To Know About Starting And Running Your Business

Nation's Business

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For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

WORKPLACE RULES

Tax Benefits For Complying With The Disabilities Law

The key provisions of the Americans with Disabilities Act, which apply not only to large companies but also to many small firms, are now generally in place. The public-accommodation provisions took effect for most businesses in January 1992. Businesses with 10 or fewer employees and gross receipts of no more than \$500,000 had until Jan. 26, 1993, to comply with the new public-access and new-construction regulations. (Still to take effect, in July 1994, are the employment rules for firms with 15 to 24 employees.)

In addition to its rules on hiring, the disabilities law requires businesses to meet certain requirements related to their facilities. In some instances, compliance may require a firm to carry out certain modifications—eliminate barriers, for instance, or lower telephones and drinking fountains, widen doorways, install ramps, make curb cuts in sidewalks, and buy equipment to assist disabled workers. In other instances, businesses may have to provide interpreters or services for disabled workers.

Small firms should be familiar with the tax benefits available for making such physical modifications as well as for hiring interpreters or other assistants and obtaining other services for the disabled. First, there is an annual credit of 50 percent of expenses over \$250 (up to \$5,000) available to firms with fewer than 30 employees and under \$1 million in annual gross receipts; the credit applies for up to \$10,250 of expenditures.

In addition, the tax rules let a firm deduct up to \$15,000 a year in expenditures to remove architectural and transportation barriers to the handicapped.

A business can take either the deduction or the credit for a particular expenditure, but not both. Any expenditure in excess of both the \$10,250 credit limit and the \$15,000 limit for deductions can be deducted nevertheless if it qualifies as a repair. Otherwise, it must be capitalized and depreciated over its useful life.

For example, Widget Corp. spends \$35,000 to remove an architectural barrier to make its office accessible to customers in wheelchairs. The \$35,000 can be dealt with under the tax rules in two ways: \$10,250 qualifies for the \$5,000 credit, and \$15,000 qualifies as a current deduction.

There is a question, however, as to whether the remaining \$9,750 to remove the barrier is deductible as a repair. The test of whether an item is considered a capital expenditure rather than a repair is generally whether the repair substantially or materially extends the life of the property, adapts it to a different use, materially increases its value, or creates a



PHOTO: EMCOTT LIGHTFOOY-PICTURE GROUP

Providing access for the disabled can be tax-deductible.

separate asset. Under this definition, the removal of a barrier should be considered a repair; the Internal Revenue Service may have other ideas, however. Check with your accountant.

The \$15,000 expense deduction and the \$5,000 tax credit are both annual elections. Therefore, whenever possible, expenditures that qualify should cover the full benefit for each tax year.

In the above example, if that \$35,000 expenditure could be spread and deducted over two taxable years, Widget would avoid any question about the \$9,750; the company clearly would be allowed a total credit of \$10,000, and a deduction of \$14,500 over two years.

FILING RETURNS

An Early Start Could Uncover Some Tax Savings

Now is the time to get started on your 1992 return by getting your tax information to your accountant as soon as possible. Don't wait until the last minute; there are advantages to getting it done now—even if you are not getting a refund.

First, you will be able to avoid the psychological stress of filing your return at the last minute. And by having time to go through your papers properly, you well

Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases. may reduce your tax obligation by finding more deductible items. And your accountant will have more time to do a careful job.

Also, if you have time to think things through, you may find a way to reduce your taxes on a prior year's return. For example, suppose you discover in February that alimony payments are deductible. You have been making alimony payments since 1989 but never took a deduction for them. Luckily, you still could amend your 1989, 1990, and 1991 returns, take the deduction, and get a refund.

You must file an amended return within three years after the original return was filed (or the due date if the return is filed early), or within two years of the date you paid that year's tax, whichever is later.

Accordingly, in our example, if you filed the 1989 return on April 2, 1990, you would have until April 15, 1993, to amend that return; you would have more time to amend the returns for 1990 and 1991. Amended returns for a bad debt or a worthless-security deduction can be filed up to seven years after the filing date.

Should you amend a previous year's return every time you discover a mistake? Not necessarily. If the tax saving is too small, it may not be worth the cost of preparing and filing an amended return. Also, you may decide not to amend the return if the deduction or change is in a gray area and you are taking an aggressive position. You may want to avoid a contest with the Internal Revenue Service that could bring the other items on your return under scrutiny by the agency. Discuss this with your accountant.

An amended return is filed on Form 1040X. Be sure to use certified mail, return receipt requested, when filing an amended return (just as when you mail your regular federal and state returns); you want to make sure that there is proof that you filed within the time period. ***

It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

INSURANCE

Your Homeowner's Coverage May Be Less Than You Need

Do you know how much it would cost to replace your home if it burned to the ground tomorrow?

If you don't, you had better find out, because there's a good chance you're either overinsured or underinsured.

"The big mistake people make," says Sean Mooney, a spokesman for the Insurance Information Institute, in New York, "is basing the replacement cost on the estimated selling price of the home." If your home is in a higher-priced neighborhood, a substantial portion of the selling price might be related to the home's location—and you can't insure location. In effect, you may be paying for more coverage than you need.

On the other hand, if the selling price of your home has dropped significantly and you're basing your homeowner's insurance on the current estimate, you might

be underinsured.

"The best thing to do," says Mooney, "is to make sure you have a replacement policy and not a cash-value policy." And find out exactly what it would cost to replace your home at today's prices.

Your insurance company can help you do this by calculating the cost per square foot. If your home is custom-built or has a lot of special features,

you might consider having it appraised by a local building firm or engineer.

A home's contents normally are covered for an amount up to 50 percent of the overall coverage. But this coverage reimburses you only at the current, or secondhand, market value, which would be much less than the replacement cost.



PHOTO: UTHOMAS DIMOCK... THE STOCK MARKET

Would your insurance cover your home's replacement cost?

Though you may pay more, you would be better protected by obtaining coverage for the full replacement cost of your home and its contents. And bear in mind that special coverage may be required for certain valuables, such as art works, antiques, furs, precious metals, and gems.

INVESTING

Women Must Be Able To Make Major Financial Decisions

"Through death, divorce, and the fact that they tend to live longer than men, 90 percent of the women in this country will hold sole responsibility for their finances at some time in their lives," says a study commissioned by Oppenheimer Funds, an investment firm that sells mutual funds.

Unfortunately, the study concludes, many of the women will be unprepared for their financial responsibilities.

The study, in which more than 2,000 men and women answered survey questions, also showed that although women often play a leading role in managing household finances (such as paying the bills and balancing the checkbook), they're far less involved in investment, tax-planning, and insurance decisions.

"Women tend to procrastinate because they may be busy handling homemaking

1

Peter Weaver is a Washington-based columnist on personal finance. duties as well as a full-time job," says Bridget Macaskill, president of Oppenheimer Funds. Financial planning is often left to the man in the house or, if the woman is single, it's left on the back burner.

So, what's a busy woman to do? "Get started," says Macaskill, "by investing a modest amount of money in securities." Over the long haul, she says, "it's a good idea to use a financial adviser—someone who can help you map out a long-term plan." To find the right adviser, she says, a woman should "shop around, ask friends—and business and professional people for references."

You can get a free copy of Women and Investing, a 24-page booklet from Oppenheimer Funds, by calling 1-800-892-4442.

How To Build And Run Your Own Stock Portfolio

Under a plan developed by the nonprofit National Association Of Investors Corp., you now can build and manage your own stock portfolio for as little as \$10 to \$25 a month. It's called the Low-Cost Investment Plan, and it's designed to help people buy fractions of stock shares. Dividends are automatically reinvested, and when you get enough shares of one

stock, you start buying another. "It lets you play the role of a Wall Street tycoon without the big dollars involved," says Mark Skorson, author of the book Scrooge Investing (Dearborn Financial Publishing; Chicago).

Membership in the association costs \$32 a year, and enrollment in the Low-Cost Investment Plan costs \$5 per stock. Members receive the association's monthly magazine and a 127-page Investor's Manual that shows you how to analyze companies' growth potential.

Participants in the plan choose stocks from a list that includes AT&T, Chase Manhattan Bank, Colgate Palmolive, Dow Chemical, Gerber Products, McDonald's, Mobil Oil, Upjohn, and Wendy's.

You make your initial purchase of each security—whole shares only at the start—through the association and then send all future payments to the issuing company. Although you could do the same through a broker, spokesman Tom O'Hara of the National Association of Investors Corp. points out that an initial purchase through the association involves no commissions or management fees.

For more information, write to the National Association of Investors Corp., 1515 East Eleven Mile Road, Royal Oak, Mich. 48067. Or call (313) 543-0612.

HOME ECONOMICS

Rooms For Rent-In The Upscale Suburbs

"Boarders Welcome" signs used to be common in cities and small towns and often meant the homeowner needed the extra income from renting a spare

Now, real-estate agents say, taking in boarders has spread to the more affluent suburbs in major urban areas, where two-income families may need someone to look after an elderly parent or a disabled child or perform some other chore.

The boarder gets a big discount on the monthly rent in exchange for service involving elder care, child care, or other in-home duties,

You have to be careful when you do this," says Gerald Bell, a spokesman for the National Association of Independent Insurers, in Des Plaines, Ill., "because you might inadvertently void your insurance coverage." The problem in such an arrangement is that you might be

wearing two hats: one as a landlord and the



A renter in your home providing care for a parent can affect your insurance needs.

other as an employer. Each may require a special ruling and rate from your insurance company.

"As a landlord, you'll probably need a policy endorsement that allows you to operate as a business," Bell says. "And, as an employer, you may need workers' compensation insurance even though you don't actually pay the boarder a wage."

An insurer may say that giving a boarder a discount on the room serves as a "valuable consideration" in lieu of a wage and thus makes you an employer. "To make sure you don't lose some of your homeowner's insurance coverage," says Bell, "describe your landlord-employer situation in detail, in writing, and send it to your insurance agent or company."

Then, request a ruling, in writing, from the insurance company as to how you should be covered and how much it will cost, "Having everything in writing," Bell says, "avoids any possibility of costly misunderstandings in

the future."

MONEY MANAGEMENT

Is It Time You Had A Private Banker?

Tired of watching customers going out the door to do business with financial planners, brokerage firms, and insurance agencies, a number of banks are now trying to lure them back with exclusive, one-stop, personal banking and financial

In the past, "private banking" was the domain of the very wealthy. You had to have at least \$1 million in liquid assets and a sizable annual income to qualify for all the personal service and perks.

"Now, we have no official limits," says Lue Ann Oder, executive banking-service officer with the Commerce Bank of Kansas City. "We're looking for busy professional and business people who don't want to spend a lot of time coping with banking and financial chores," she says.

Other banks have asset and income minimums, but they're not set in concrete. "In general," says Deborah Doyle, an officer with Chase Bank's Personal Banking Service, "our customers have annual incomes of \$75,000 to \$100,000 or more."

Depending on the bank, here are some of the services you can get with personalservice accounts:

- Your own personal banker to handle all your banking needs.
 - Financial, estate, and tax planning.
- Mutual-fund and securities management.
 - Preferred-rate loans.
- Coordination of personal and business financial services.
- High limits on credit cards and no-cost, deluxe checking.

And if you're lucky, you may eventually

graduate from the "affluent" personalbanking service to one of the "wealthy" private banking clubs.

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"We also help resolve private-banking customers' business problems," says Deborah Talbor, Chase's senior vice president for private banking, "such as finding customers [and] merger and acquisition prospects, locating suppliers, and helping with banking needs abroad."

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If you can pack up and travel on short notice, there's money to be saved on cruises, package tours, airline fares, and hotel rates.

According to the Consumer Reports 1993 Travel Buying Guide: "Last-minute travel-discount clubs offer big savings in exchange for a limited selection of travel dates, itineraries, or cruise ships."

Some clubs are national in scope, others are local or regional. Which one should you choose? "If you'd like one club to satisfy most of your travel needs," says the guide, you should try one of the national clubs that "combine an extensive last-minute-discount program with good hotel discounts and a travel agency that rebates about 5 percent on many travel services."

Otherwise, if you plan to travel mostly into and out of one region, pick a local club for better tour and cruise selections. Club dues typically will cost you \$45 or \$50 a year.

You can find a full list of names and phone numbers in the travel guide from Consumer Reports Books, along with many other money-saving travel articles and sponsor lists.

The guide, which is to be available soon, is expected to be priced the same as last year's edition, which was \$8.95, plus \$2.50 for shipping and handling.

For more information, call Consumer Reports Books, 1-800-272-0722.

DEBT MANAGEMENT

Credit-Card Balance: **Investment Opportunity**

How would you like to earn 25 percent on your investment with absolutely no risk?

"Pay off your credit-card balance," says Barbara Warner, president of Windsor Financial, a financial-planning firm.

Banking sources say it's not unusual for middle-income families to be carrying \$5,000 in credit-card balances. And many of the card issuers charge as much as 18 percent. Warner explains: "The interest on your \$5,000 comes to \$900 a year. If you are in the 28 percent tax bracket, you would have to have an investment yield of 25 percent before taxes to cover this debt.

'So, paying off the debt is equivalent to earning 25 percent on an investment which has no risk and one where you pay no tax."

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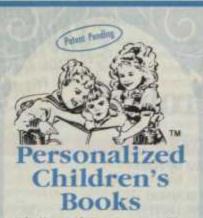
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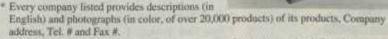
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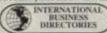
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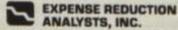
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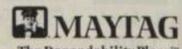
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Where I Stand

TRAINING IDEAS

1 To improve employee training, the federal government should:

- Require firms to spend a certain percentage of payroll on training
- Offer tax breaks to companies for training costs
- Foster business and labor cooperation on training

Results of this poll on President Clinton's training and education ideas will be provided to the administration and congressional leaders.

Send the attached, postage-paid response card. Or circle your answers, fill out the coupon below right, and fax this page to (202) 463-5636.



Send Your Response Today!

- Should the federal government establish a national apprentice-ship system for young people not bound for college?
 - 1. Yes
 - 2. No
 - 3. Undecided

- 4. Should federal college loans be repayable through public service as well as through more traditional repayment plans?
 - 1. Yes
 - 2. No
 - 3. Undecided

- Should a national program be established to help high-school dropouts acquire marketable skills?
 - 1. Yes
 - 2. No
 - 3. Undecided

- Should every American have the right to borrow federal funds for college?
 - 1. Yes
 - 2. No
 - 3. Undecided

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Please circle your selections.

Readers' Views On Defense Savings

Respondents to our Where I Stand poll want defensecutback savings used to reduce the deficit.

strong majority of Nation's Business readers responding to a survey said savings from defense cutbacks should be applied to deficit reduction, not used in other federal programs or even for tax relief.

That view was among those expressed by respondents to the Where I Stand poll

in the November issue.

That survey dealt with the contraction of the nation's defense industry as military spending slows. The change is affecting companies that supply U.S. military forces with products and services ranging from aircraft carriers to research on zero gravity.

The shrinking of the defense establishment follows the end of the Cold War and the breakup of the Soviet Union, the focus of American military preparedness since

the end of World War II.

The final extent of the cutbacks remains uncertain, however. Some members of Congress say that, while the Soviet threat is gone, the world is still a long way from the point at which the U.S. would not need a strong military force. They cite Saddam Hussein's continuing provocations in Iraq, pressures for American intervention in the fighting in the regions that formerly made up Yugoslavia, and the need for U.S. military strength to back up humanitarian initiatives like the one under way in Somalia.

Whether those considerations will affect the defense-downsizing schedule is uncertain, but even if some aspects are slowed, the overall trend is expected to continue.

comanie.

The defense cutbacks have raised questions about many related issues. They include such considerations as how the



PHILTO & TOW TRACE - THE STRCK MARKET

so-called peace dividend—savings from lowered military spending—should be spent and whether the federal government has responsibility for helping companies that have lost orders and helping workers who have lost jobs make the transition to other types of work.

As far as any peace dividend is concerned, just over three-fourths of the respondents to the *Nation's Business* poll said they favor its application to the deficit.

Most of the respondents do not believe the federal government should have a role in helping either former defense companies or their employees convert to nonmilitary work.

Nearly two-thirds oppose direct federal assistance to help defense firms make a switch, and nearly 60 percent said the government should not help finance the retraining of defense workers. And more than 90 percent oppose the idea of a payroll tax to pay for such retraining.

There was one area in which a federal role gained reader support: Nearly threefourths of the respondents agree that the federal government should invest defense-research dollars in military technology that also may have commercial applications.

The strong support from readers for using defense savings to cut the deficit comes just as the new administration and the new Congress are entering a critical debate over the extent to which deficit reduction can be achieved. (See the Editorial, on Page 71.)

At least part of this debate will focus on using additional defense cuts to make inroads on the red ink.

DEFENSE CUTBACKS

Should the federal government help fi- nance retraining of workers who lose jobs in defense-industry cutbacks?	1. Yes 2. No 3. Undecided	35% 58% 7%
Should payroll taxes be increased to pay for retraining?	1. Yes 2. No 3. Undecided	5% 92% 3%
Should the federal government give direct assistance to defense firms converting to nonmititary work?	1. Yes 2. No 3. Undecided	30% 63% 7%
Should the federal government invest defense-research dollars in military technology that also may have commercial applications?	1. Yes 2. No 3. Undecided	73% 20% 7%

Should dollars cut from defense spending be used to expand nondefense federal programs, to reduce the deficit, or to cut taxes? Expand nondefense programs

76%

14%

2. Reduce the deficit

Cut taxes

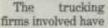
Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.

Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Close The Loophole On Freight Charges

Congress should move quickly to close a loophole that subjects many businesses to additional charges on freight bills already paid as rendered by trucking companies.





CUSTOMETORS INCOMED DAGE

since gone bankrupt. In reviewing their records, bankruptcy attorneys determined that the rates charged to the shippers were below the highest tariffs on file with the Interstate Commerce Commission (ICC) at the time of the shipments. The attorneys maintained that charging the lower rate was a violation of federal law.

The attorneys billed the affected businesses for the difference between the amount paid and the ICC tariff rate. Companies that negotiated charges in good faith with truckers are thus legally obligated to pay additional costs for which they were never billed and to which they never agreed. Smaller businesses could be hit particularly hard by the charges, which total more than \$30 billion.

In a 1990 decision, the U.S. Supreme Court ruled that the practice was unfair but legal. The court also said that Congress should deal with the problems that had arisen.

In urging Congress to move quickly on the matter, the U.S. Chamber of Commerce said shippers wanting to stay in business "will have no choice but to pass these costs on to consumers."

In real life, trucking companies and businesses agree on a rate to be charged. Products are shipped, and the customer pays the charge agreed upon previously. The source of the crisis is the requirement that trucking firms file their rates with the ICC before freight can be shipped.

Contact your representative and senators. Urge them to support legislation that would allow businesses vulnerable to added charges to escape this paperwork quagmire and divert valuable resources toward promoting economic recovery.

Cooperation Needed On High Technology

U.S. industries face new challenges. They include the rapid expansion of international trade, the success of U.S. trade competitors in bringing high-technology products to market, and rising costs of the research and development needed if American companies are to produce such products.

The United States spends \$160 billion a year on research and development, with federal spending representing 45 to 60 percent of that total. While America leads the world in research and basic science, many of its global competitors have had greater success in converting laboratory discoveries into new products. A major factor in this success is the better relations between business and government in those countries than in the United States.

America can do more to ensure that basic discoveries lead to marketable products. Greater cooperation between government and industry would lead to increased U.S. technological sophistication and better governmental understanding



of the obstacles faced by businesses, particularly small and medium-sized businesses, in bringing products to market.

U.S. policy on technology since World War II has relied primarily on federal funding of scientific R&D, particularly basic research. But the world has changed.

The U.S. Chamber believes that our national laboratories should collaborate with industry to develop cutting-edge commercial technologies and should place greater emphasis on transferring government technologies to the private sector for commercialization.

Urge your representative and senators to support more business/government cooperative efforts and an enhanced private-sector role in promoting technologies that will lead to increased U.S. competitiveness.

Medical Guidelines Would Curb Costs

The establishment of medical-practice guidelines could improve the quality of health care, keep physicians more up-to-date in their practices, cut down on defensive and unnecessary medicine, and reduce health-care costs.



U.S. health-care spending has increased from 9.1 percent of GNP in 1980 to approximately 14 percent today—with projections between 15 and 17 percent for 2000.

As costs have steadily increased, questions have arisen about the quality and appropriateness of care.

Research has shown that a significant percentage of services delivered is either inappropriate or ineffective. Research has also shown wide variations in the use of procedures across geographic lines, with no apparent medical justification.

America's increasingly litigious society has driven physicians to practice defensive medicine—ordering unnecessary tests and procedures to protect themselves from unwarranted malpractice suits.

The current system of fee-for-service medicine offers health-care providers financial incentives to provide more services.

In addition, consumers, accustomed to having their insurance companies pay most medical expenses, remain relatively unconcerned about escalating costs.

The U.S. Chamber believes that medical-practice guidelines defining which treatments are most effective would result in a health-care system free of unnecessary and needlessly expensive treatment. Adherence to guidelines should represent an absolute defense against malpractice lawsuits.

Write your representative and senators. Tell them to encourage the development of medical-practice guidelines. Remind them that such guidelines would reduce defensive medical practices and hold down health-care costs.

Editorial

"Unsettling Revelations" About Federal Finances

A publication with a title like the one shown on this page is hardly likely to make the best-seller list or become the subject of a television miniseries.

But it's one that holds a certain distressing fascination for business people concerned about the fiscal direction of the country and its impact on their individual enterprises.

The report from President Bush to Congress was the last major fiscal statement of his administration. It reviews the current state of federal finances and points out where present policies will take the nation if they are left unchanged.

The content of the report spotlights serious fiscal problems that have endured even as new presidents and members of Congress have arrived with promises to resolve them and have left office with those problems pretty much intact.

A sampling of the information contained in the analysis:

■ The federal deficit will range between \$266 billion and \$320 billion over the next five years;

■ By 1994, annual outlays for Social Security, Medicare, and federal pensions will total \$532 billion, or 35 percent of total spending. That last figure compares with

20 percent in 1970.

Prospects for the long-term solvency of the Social Security and Medicare systems have deteriorated since 1983, when reforms and massive tax increases were supposed to have bailed them out well into the next century. The disability-insurance component of the system could become insolvent by 1996, Medicare by 2000, and the retirement system somewhere between 2022 and 2025.

Accumulated retirement benefits for federal employees total \$1.2 trillion, and the commitment for retiree health insurance is an additional \$335 billion;

■ Net interest on the national debt is expected to go from \$202 billion in the current fiscal year to \$308 billion in 1998;

Energy Department cleanup costs for radioactive/hazardous waste sites could total hundreds of millions of dollars;

■ The total amount of direct and guaranteed loans and insurance coverage underwritten by the federal government is approaching \$7 trillion;

■ Costs of Medicaid, the health-care program for low-income individuals, will nearly double over the next six years, to nearly \$160 billion

Those numbers give a good indication of the fiscal situation that President Clinton finds on taking office. They have already had an effect. He responded that the report contained "unsettling revelations" about deficit trends that would make it more difficult for him to keep his campaign pledge to cut the deficit in half by 1996.

There were also hints from his fiscal advisers that the new administration might have to choose between fulfilling the pledge on deficit reduction and a promise of tax relief for middle-income wage earners.

In addition to fiscal problems, the report deals with the financial impact of government regulations. It notes that they "provide a wide range of societal benefits, but

these do not come free of charge."

The analysis cites estimates that the aggregate cost of federal regulation will reach \$662 billion annually by the year 2000, compared with \$542 billion at the start of the decade.

After government spending and taxation, the report says, government regulation "directs a greater amount of the nation's resources toward public purposes than any other policy instrument." But it adds that there is no formal budgeting process to set limits on overall spending or force trade-offs.

Not only are the fiscal and regulatory issues cited in the report formidable, the prospects of resolving them within existing procedures of the federal government are uncertain because of the bureaucracy's outdated approach.

The fiscal analysis report says:

"The federal government has limited capacity to assess what works and why, and to compare actual results with goals and objectives. Most federal programs are planned and executed on an annual basis,

rather than based on a long-term strategy and evaluation of results. Policy analysis is virtually always a prerequisite for new initiatives but rarely is used to strengthen, change, or eliminate base programs, which constitute the overwhelming majority of federal expenditures."

The report also commented on the federal bureaucracy's role in dealing with the growing problems of government at a time of

fast-paced change in all sectors of society:

"Many federal agencies fail to reflect current needs, demographics, and technology (particularly communications technology) in their staffing, organization, and service to clients. Others are laden with unnecessary management layers, making them top-heavy and inefficient."

The analysis of the departed administration is a dreaded legacy to the new administration—and the taxpayers. Every new government official, including the president and members of Congress, needs to be ready soon to answer the inevitable question from the voters:

What are you going to do about it?



72 Nation's Business February 1993



This 160-page book lists more than 365 questions and exercises to help you get to know that special someone. Authors Jeanne McSweeney and Charlie Leocha say the questions are designed to be a "catalyst for intriguing and insightful conversations." For instance: "Who makes you laugh more than anyone in the world?"

"Have you been embarrassed by a date's behavior in public?"

And the oh-so-revealing "Write an epitaph for your own tombstone,"

The book costs \$6.95 plus postage and handling, and it is available at bookstores or by calling 1-806-444-2524.

Reach out And Touch Someone

Whether you want to say Happy Valentine's Day or just hello, **Prophecy Designs**, of Round Pond, Maine, lets you say it in print and Braille.

The company designs and produces a full line of colorful greeting cards. Each card carries its message in both print and Braille and is decorated with an abstract design. The company will also print the signature in Braille for large orders.

Braille and print catalogs are available. For more information, call (207) 529-5318.

Throw A Party

You can turn Valentine's Day—or any day—into a celebration: Throw some confetti.

Z-Barten Productions, of

Culver City, Calif., packages 500 styles of its Mylar confetti for tossing, sprinkling, and decorating. You can choose among such various shapes as palm trees, stars, ghosts, cows, and—for the romantic—hearts. Each packet of Jimmy Jem's Confetti contains hundreds of the tiny colorful polyester pieces.

For more information, call 1-800-522-7836.

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There's a new look to an old product—shopping bags.

Billboard Bags, of Colorado Springs, Colo., turns the carryalls into, well, billboards. These bags are decorated with advertisements and coupons for neighborhood stores.

The company first offers the bags at a discount to a group of similar stores in a geographic district. It then sells advertising. For video-store bags, for example, Billboard Bags might look for advertising from pizza parlors or family resorts, and for liquor stores, the company would go to cigarette companies and casinos.

Billboard Bags also sells a manual to help others start a bag-advertising business.

For information, write Billboard Bags, 1310 Server Drive, Colorado Springs, Colo. 80910.

From The Card File

Business cards from Prestige Business Concepts, of Agoura Hills, Calif., do double duty.

The INFO-DATA business card measures 3½ by 4 inches and has one fold. The outside is a conventional business card. Inside is NCR carbon paper that you can have printed any way you wish.

Prestige says most businesses use the inside for job estimates, client descriptions, or product information. Users fill in the blanks, take the carbon oversheet, and leave the card with the customer.

Prestige charges \$150 for 1,000 INFO-DATA Business Cards printed in one color inside and out. Additional colors cost more.

For more information, call (818) 865-8233.

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Near or far, safety may be just a phone call away.

ABELexpress, of Carnegie, Pa., makes it easy to find the numbers you need when crises occur. Its Emergency Hotline Card lists the numbers for emergency help (like the suicide help line and runaway hot line), travel aid (AAA, the U.S. State Department), culinary catastrophes (chef's hot line), and even for unexplained phenomena (Bigfoot Hotline). Most of the listings are 800 numbers for national hot lines.

The 17-by-3¹/4-inch card lists 233 telephone numbers and folds into a 2¹/2-by-4-inch carrying case. The cost is \$2 plus \$1 for postage and handling. Order from ABEL express, 230-Z East Main St., Carnegie, Pa. 15106.

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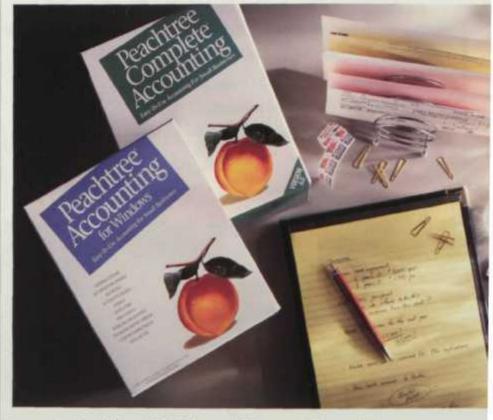
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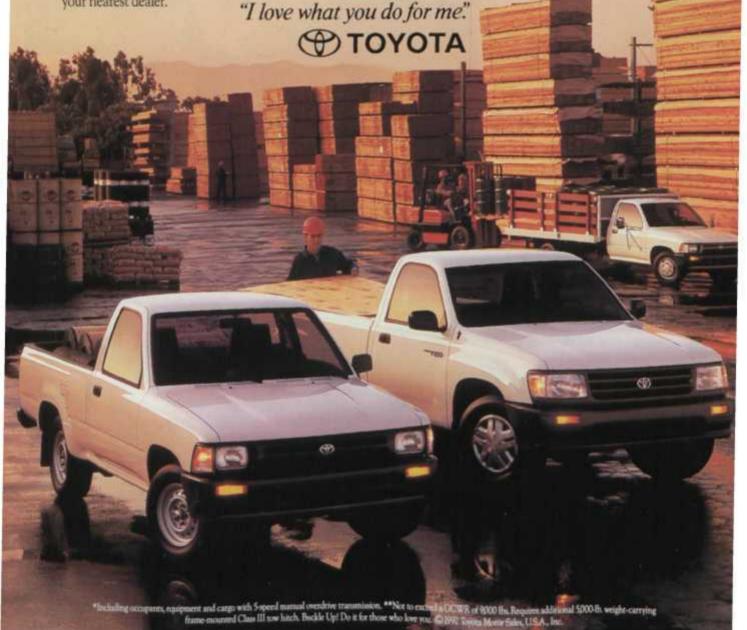
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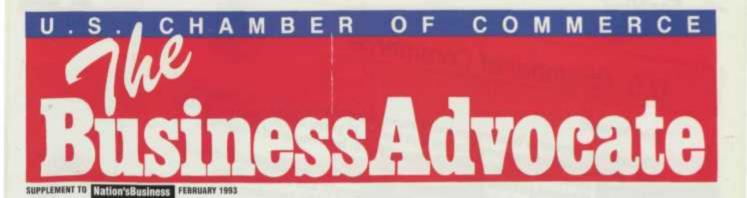
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1992 Annual Report

Ready For New Challenges

The U.S. Chamber is well-positioned to advance business's interests at a time of sweeping changes in Washington.



U.S. Chamber of Commerce



The political climate in Washington has changed markedly since the U.S. Chamber's last annual report to members. For the first time in 12 years, and for only the second time in 24 years, the president and the majorities in both houses of Congress Dear Member:

The natural question is how this situation will affect the ongoing efforts of the U.S. Chamber of Commerce to bring about economic growth and social policies benefiting all Americans. Basically, we see solid reasons for optimism about the represent the same political party.

Our positive attitude stems from the extent to which the Chamber and President Clinton share goals. These goals include tax policies that encourage capital immediate future.

cumon snare gons. These gons include tax poncies that encourage capital investment, restraint of federal spending, infrastructure improvements, aggressive enforcement of trade laws, and a world-class education/training system.

Indeed, much of the Clinton program for economic growth might well have been less from the U.S. Charebook and National Business Association 1. taken from the U.S. Chamber's own National Business Agenda. We know that there will be many occasions on which we will wholeheartedly support the Clinton administration's initiatives on behalf of our federation of 215,000 companies, 3,000 compan administration's initiatives on benan or our rederation of 210,000 companies, 5,000 state and local chambers of commerce, 1,300 trade and professional associations, and

But just as we were selective in supporting and opposing specific proposals of the Reagan and Bush administrations, we will challenge the new president when we Reagan and bush administrations, we will engaging the new president when we believe that he is wrong. We will be particularly watchful for trends that developed the last time the world December 1997. American Chambers of Commerce abroad. beneve that he is wrong. We will be particularly watering for trends that developed the last time there was a Democrat in the White House and Democratic majorities. the tast time there was a Democrat in the write rouse and Democratic majorities controlled Congress—a tendency toward excessive regulation without concern for eontrolled Congress—a tendency toward excessive regulation without concern for economic costs, more interest in raising taxes than cutting spending, and an undue Our members have made it clear, however, that they want an end to gridlock and

concern for the wishes of organized labor.

Your Chamber will be a major player in this new era. We have put in place an extensive and effective grass-roots operation that will ensure that the collective confrontation.

voice of our membership is heard at the highest levels of government. We seek cooperation among business, government, and labor in addressing the nation's social and economic problems, meeting challenges of the world marketplace,

Ambitious goals, yes, But given the dedication, commitment, and support of our and re-energizing the American people with a can-do spirit. Ville Jesker

members, we know that they can be achieved.

Sincerely,

H. William Rosta Shan W. How

H. William Lurton U.S. Chamber Chairman

Vice Chairman

Richard L. Lesher President







omments from others help reflect the breadth of the U.S. Chamber of Commerce's work on your behalf during 1992. The Chamber is currently implementing strategies to be even more effective in achieving results on your behalf in 1993.

"I want to thank you for your excellent testimony. . . . Your statement made an effective case for strategies such as rais-

ing the stature of the non-college bound worker and adopting the notion of lifelong training and retraining."

> -Sen. Christopher J. Dodd, D-Conn., Chairman, Subcommittee on Children, Family, Drugs, and Alcoholism

"By spotlighting the achievements of successful small businesses that have overcome adversity, you will be providing im-



portant advice and inspiration to small-business men and women across America."

> Patricia Salki, Administrator, U.S. Small Business Administration

"Thank you for continuing to send us updates and information on the pending North American Free Trade

Agreement. ... We certainly take the time to read your materials and find them most helpful."

Samuel K. Skinner, upon leaving the U.S. Department of Transportation to become White House Chief of Staff

"Thank you for all you have contributed to the field of transportation during [the past three years]. We can all take

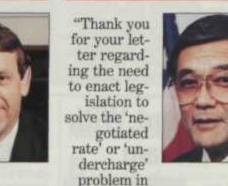
real pride in much that has been accomplished together, and you played an important role in many of the achievements."

islation to gotiated

the trucking industry. . . . I sincerely hope that you will support our effort and continue to work with us on this matter."

> -Rep. Norman Y. Mineta. D-Calif., Chairman, House Subcommittee on Surface Transportation

-L Neil Hensley. Director. International Marketing, Greater Cincinnati Chamber of Commerce





Positioned To Meet New Demands

new administration and Congress will pose new challenges for business, but the U.S. Chamber of Commerce, through its efforts in 1992, has positioned itself well to meet the new demands.

The federation, which marked its 80th anniversary in 1992 and grew to 215,000 business members, presented its first National Business Agenda to the Bush administration and Congress last February. The agenda incorporated the views of the Chamber's members, public-policy committees, and its board of directors on efforts to stimulate business growth and to reinvigorate a flat U.S. economy.

Many of the critical policy priorities laid out in the Chamber's agenda were reflected in legislation enacted into law in 1992, in proposals advanced in Congress, and in White House policies.

Efforts to improve the nation's education and health-care systems and to expand free trade, all top concerns of the Chamber, were advanced on Capitol Hill and in the private sector, and all emerged as major issues during the 1992 presidential campaign. (For more details on legislative victories, see Pages 78 and 86.)

The Chamber also was heavily involved in last year's political process. It teamed with the Vote America Foundation, a Washington, D.C.-based nonpartisan, nonprofit organization, to encourage employers and their employees to register and vote in the Nov. 3 elections

The business federation endorsed



Humphrey Tyler, left, asks a question at one of five U.S. Chamber regional meetings last fall. Standing at right is Steve Woolley, the U.S. Chamber's Eastern region manager.

254 candidates for Congress and held numerous forums at the Chamber's Washington headquarters for business people to meet candidates for Congress.

"Our efforts last year to influence public policy and to increase the effectiveness of our organization have been rewarded with many positive results," says William T. Archey, the Chamber's senior vice president for policy and congressional affairs. "The challenge now is to increase economic growth and to improve the competitiveness of U.S. business as we approach the 21st century."

The Chamber is eager to work with

the new administration and Congress to help strengthen the economy, says Archey. On Feb. 23, it will present to President Clinton and Congress the business agenda for 1993 and 1994, which was crafted in part by nearly 1,500 Chamber members attending regional action forums held in the fall.

The main message from those forums, held in October in Rye, N.Y., Chicago, Los Angeles, Dallas, and Atlanta, was clear: Balance the budget and improve the economy.

The message from the first series of meetings—held in 1991—was that America needed to adapt its policies to the changes sweeping the world, says

Involvement With Clinton Team

S everal present and past members of the U.S. Chamber of Commerce's board of directors were participants in President Clinton's pre-inaugural economic conference.

They were



Director Grogan

among the 329 leaders of business, labor, academia, government, private welfare organizations, and other sectors who gathered in Little Rock, Ark., in mid-December to air their views on economic issues.

Clinton opened the two-day meeting with the statement that "we are here because our people and our nation must prepare for global competitiveness."

He referred to the participants as "the most distinguished and diverse group of Americans ever to meet to discuss our economic promises as well as our economic problems."

The meeting was televised nationally and offered an opportunity to viewers to telephone questions to the group.

The present and former U.S. Cham-

ber directors who participated in the conference were:

ANDREW BRIMMER, president, Brimmer Co., Washington, D.C.

AUGUST A. BUSCH III, chairman and president, Anheuser-Busch Cos., St. Louis

LOUIS CABOT, director emeritus, Cabot Corp., Boston JOHN L. CLENDENIN, chairman and chief executive officer, BellSouth Corp., Atlanta

ROBERTO GOIZUETA, chairman and chief executive officer, Coca-Cota Co., Atlanta

BARBARA B. GROGAN, president, Western Industrial Contractors, Inc., Denver

JOHN ONG, chairman and chief executive officer, B. F. Goodrich Co., Akron, Ohio

HERMAN J. RUSSELL, chairman and chief executive officer, H.J. Rusself & Co., Atlanta

JOHN SCULLEY, chairman and chief executive officer, Apple Computer Inc., Cupertino, Calif.

DANIEL T. TULLY, president and chief executive officer, Merrill Lynch and Company, Inc., New York.

FEBRUARY 1993





In left photo, the SBA's Pat Saiki (right) talks with Chamber board member Jeanine Hettinga.

Rep. Pete Geren, D-Texas (center), discusses his positions on the issues at the Chamber.

Archey. The latest message, he says, is: "OK, we've changed our way of thinking to one of global economics, now let's get our country's fiscal house in order."

The Chamber will have plenty of opportunities to work with the Clinton administration on the economy and other issues where there is "commonality," Archey says. Those issues include improving education and training, rebuilding the infrastructure, and expanding trade.

The Chamber is not going to be knee-jerk. We'll be looking at some complicated issues in a new way," says Archey, who adds that the business federation will no doubt have some disagreements with the new administration.

A critical component in the Chamber's successes in 1992 and an expected key to having an effective voice in Washington in 1993-in addition to the national business agenda-is the organization's rejuvenated grass-roots network of business people, state and local chambers, and associations. Communication among the Chamber, its members, and lawmakers in Washington is crucial to that success, says Donald Kroes, vice president for the Chamber's membership grass-roots operations.

As part of its communications efforts, the Chamber in 1992 launched the National Business Agenda Report and a legislative-status supplement, which are sent to key members of the Chamber's legislative action network. The Chamber also created the Office of Membership Grassroots Operations to consolidate its grass-roots activities.

In 1993, according to Linda Mays, the executive director of the Chamber's grass-roots department, the federation expects to better coordinate communications among headquarters, the Chamber regional offices, and its members through upgrading its communications technology.





At left, participants at a U.S. Chamber regional meeting help set priorities for 1993.

Below, left to right, Michael Keenan of **NYNEX**, Robert Heise of the **Berks County** (Pa.) Chamber of Commerce, Michael Fleming of the **Business** Council of New York, and U.S. Chamber **President** Richard L. Lesher discuss the importance of grass-roots

The Chamber also plans to conduct a memberwide survey on legislative interests and to improve its member services this year. One planned improvement is a toll-free 800 number for the organization, with operators ready to answer questions, send information, or connect members with the appropriate Chamber staff person.

With its membership now at more than 215,000 businesses, the Chamber is the voice of business in Washington,

says Archev. "And," he adds, "with our National Business Agenda, a strong grass roots, and a commitment to working with the Clinton administration and Congress on issues critical to the economic vitality of the country, the U.S. Chamber is ready to meet new challenges."

Membership Rises

usiness membership in the U.S. Chamber of Commerce continues to grow rapidly. The current total of 215,000 business members represents a gain of 20 percent in the last 18 months alone. Chamber officials say the sharp growth in the ranks of business members reflects a desire for greater involvement in shaping public-policy decisions affecting the private sector.

The Chamber's organizational membership also includes 3,000 state and local chambers of commerce, 1,300 trade and professional associations, and 64 American chambers of commerce in

56 foreign countries.



U.S. Chamber's 1992 Capitol Hill

D espite the well-publicized legisla-tive gridlock on Capitol Hill last year, the U.S. Chamber of Commerce helped win passage of several measures that will benefit business. It also helped defeat numerous bills that would have hurt companies, and it played a critical role in the Bush administration's deregulation efforts.

■ Small-Business Research

With strong support from the Chamber, legislation was approved to reauthorize and improve the Small Business Innovative Research (SBIR) program.

The program requires each of 11 federal agencies that do more than \$100 million a year in research and development to earmark a portion of that percent from 1.25 percent. It also increases the number of agencies that will participate in the program and creates a new Small Business Technology Transfer program.

Striker Replacement

The Chamber scored a major victory with the defeat of a bill that would have barred employers from permanently replacing striking workers.

Following an all-out effort by a Chamber-led business coalition to defeat the bill, the measure died in the

Senate in June.

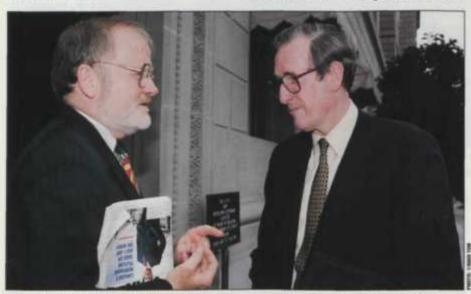
The striker-replacement bill would have prohibited employers from permanently replacing any employeesunion or nonunion-who walked off the job because of "economic conditions," such as wages and benefits. Current law already bans permanent replacements in cases involving unfair labor practices.

Family And Medical Leave

With the Chamber's support, President Bush vetoed legislation that would have required some employers to provide workers with up to 12 weeks a year of unpaid family leave. The Senate overrode the veto, but the House sustained it and, thus, the bill died.

In opposing the bill, the Chamber backed an alternative measure that would have encouraged companies to provide such leave but would not have mandated it.

The measure that was defeated would have covered companies with 50 or more employees. Business believed



William T. Archey (left), the U.S. Chamber's senior vice president for policy and congressional affairs, talks with Sen. John D. Rockefeller IV, D-W.Va., about pending legislation.

In addition, the Chamber laid a foundation for working with the new members of Congress through contacts and briefings with candidates before they were elected.

Following are highlights of the Chamber's 1992 legislative and regulatory successes:

Payroll Tax Simplification

Under pressure from the U.S. Chamber and other groups, the Internal Revenue Service simplified the payrolltax deposit rules for small firms.

Companies that have less than \$50,000 in deposits for a previous 12month period are now required to make just one monthly deposit-on the 15th of the following month. Firms with \$50,000 to \$100,000 must make biweekly deposits on the first Wednesday or Friday following a pay day. And a business with more than \$100,000 in annual payroll taxes must make deposits by the next banking day following a pay day—the practice for all businesses before the changes. The new deposit rules took effect Jan. 1.

money to fund research projects by small businesses. The program also encourages small firms to commercialize the research.

The reauthorization measure calls for an increase-phased in over five years-in the share of research dollars earmarked for small business to 2.5

Research Adds To Debates

he National Chamber Foundation, the public-policy education affiliate of the U.S. Chamber of Commerce, contributed significantly to the 1992 public-policy debates on a host of business-related issues.

NCF published a series of research reports on the cost of capital and, along with the National Taxpayers Union Foundation, issued a 90-page legal memorandum that suggested that a presidential order to index capital gains to adjust for inflation would be upheld by the courts. The report was reviewed by the Bush administration.

The foundation also published the Journal of Regulation and Social Costs, a quarterly look at federal rules and policies that affect business.

Among the issues the journal examined were the government's wetlands policy, the efficacy of "recycling at any cost," the debate on global warming, and the cost to the economy of federal regulations.

Some of the authors of the articles, who are from the ranks of academia, public-policy think tanks, and government agencies, briefed lawmakers and the news media on their findings.

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Victories Benefit Business

that over time such a measure would be extended to cover all companies.

The bill would have allowed employees to take unpaid leave for the birth or adoption of a child and for the illness of the employee or a family member. Employers would have been required to continue providing health-insurance benefits.

■ Contractor Claims Certification

The Chamber helped write the language and rallied congressional support for legislation that clarifies who may certify a contract claim submitted to a government agency.

The new law is expected to save government contractors millions of dollars in litigation costs and ensure fair-

required defense contractors to track defense money and to pay the government part of the proceeds from sales of commercial products-so-called recoupment costs-developed under government contracts. The regulation was hurting the competitiveness of U.S.



Sen. Malcolm Wallop (left), R-Wyo., and Matthew Kibbe, the U.S. Chamber's director of federal budget policy, discuss the results of the Chamber's Business Ballot poll on federal spending. Results of the bimonthly poll of Chamber members are provided regularly to members of Congress, the administration, and the national news media.

■ National Energy Policy

The Chamber was instrumental in helping to push through Congress a sweeping energy bill that should lower business's long-term energy costs.

Although the legislation does not contain all the needed incentives to stimulate domestic energy production, says the Chamber, it nonetheless expands the nation's energy options.

The new law includes tax incentives to encourage oil and gas exploration, develop renewable energy sources, and promote energy conservation and effi-

It also includes a provision-strongly supported by the Chamber—to streamline the hearing and federal licensing processes for new commercial nuclear reactors.

The Chamber also helped win the elimination of several provisions in the original bill, including one that would have required utilities to factor external costs, such as the effects of pollution on public health, into their prices.

ness in the handling of lawsuits over contract claims.

The Federal Courts Administration Act of 1992 allows any company official authorized by the contractor to certify a claim. Previous law was vague in defining who could certify a claim, and some government agencies were using that vagueness to delay or deny payments and to avoid paying interest on amounts due to contractors.

The new law also allows contractors having nonmonetary claim disputes with a government agency to turn to the U.S. Court of Claims instead of the agency's board of contract appeals for resolution of the dispute.

Cost Recoupment

The Chamber was instrumental in winning the elimination of a regulation that restricted a company's ability to convert products and technologies developed under government contracts to commercial applications.

The Department of Defense rule

Pension And Hiring Mandates

A provision that would have required defense contractors to provide unreduced pension benefits to laid-off or terminated workers as young as 53 was eliminated from the Defense Department reauthorization bill with the help of the Chamber. The provision also would have mandated that laid-off or terminated workers with skills in an "occupational specialty" be given the first right of hire for any new jobseven nondefense jobs-that a contractor might create through September

The measure, which would have applied to "major" defense contractors but made no mention of subcontractors. would have cost millions of dollars for companies already facing the prospect of reduced sales because of defense cutbacks, says the Chamber.

Deregulation

The White House Council on Competitiveness, with help from the Chamber and other groups, eased certain federal regulations that adversely affected business and prompted implementation of others that will help small firms.

The rule changes, which accompanied a nearly yearlong ban imposed by President Bush on new regulations, saved the public billions of dollars, according to the White House Council on Competitiveness.

The Chamber, at the council's request, compiled a list of some of the regulations that U.S. companies consider most onerous and made rec-

ommendations for changes.

In addition to these successes, the Chamber also lobbied and rallied support last year for legislation expected to see action in 1993, including a reauthorization of the Paperwork Reduction Act, a uniform product-liability reform law, and a resolution of an issue involving charges for freight shipments.

See Page 86 for highlights of major international-trade victories.



Events Of 1992

mong the highlights of 1992 for the U.S. Chamber of Commerce were an address by President Bush at the organization's National Business Action Rally and a host of visits by members of Congress and others who help shape public policy. Such events give U.S.

Chamber leaders and members insight into the views and strategies that will be employed to affect the outcome of battles over business-related issues.



Outgoing 1991-1992 U.S. Chamber Chairman C.J. Silas, right, passed the gavel to incoming 1992-1993 Chairman H. William Lurton at last February's National Business Action Rally.





In bottom photo above, A. Bronson Thayer, left, chairman of First Florida Bank, in Tampa, discusses business's agenda with Sen. Connie Mack, R-Fla., in Washington following the National Business Action Rally.

In top photo, 1991-1992 Chamber Chairman C.J. Silas, right, and 1992-1993 Chairman H. William Lurton present President Bush with the Chamber's National Business Agenda for 1992 at the federation's National Business Action Rally.

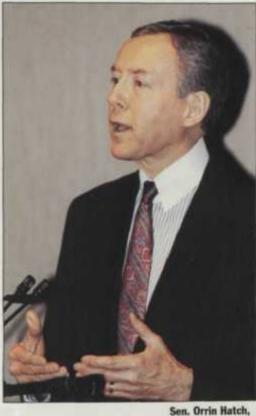
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Margaret Seminario, director of occupational safety for the AFL-CIO, discussed legislation to reform the nation's workplace safety laws at the U.S. Chamber.



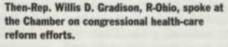
Paul Craig Roberts, an economist at the Center for Strategic and International Studies, suggested how to spur the economy.



R-Utah, talked with business leaders at the Chamber about strategies to defeat a bill that would ban the permanent replacement of striking workers.



Rep. Bill Archer, R-Texas, discussed the House tax-writing panel's activities.





1992-1993 U.S. Chamber Chairman H. William Lurton, right, and Mexican President Carlos Salinas de Gortari discussed the North American Free Trade Agreement at a recent meeting in Mexico.



Sen. Trent Lott, R-Miss., previewed the congressional agenda early in 1992 at the Chamber.



School Reform Efforts Expand



Panelists provided direction for communities at a 1992 teleconference on the national education goals. From left to right are Lamar Alexander, then secretary of education; Maria Hernandez Ferries, executive director of special programs, Southwest Independent School District, San Antonio; Tulsa, Okla., School Superintendent Kara Gae Wilson; and William Milliken, founder and president of Cities in Schools, the nation's largest nonprofit dropout-prevention program.

W ith the Clinton administration expected to make education a major focus, the education affiliate of the U.S. Chamber of Commerce has positioned itself well to remain a key facilitator of grass-roots reform initiatives.

The Chamber's Center for Workforce Preparation and Quality Education has been integrally involved in encouraging and helping communities to embrace and implement the six national education goals adopted in 1990 by President Bush and the nation's governors.

In kicking off its second year— 1992—the center and the U.S. Department of Education held a two-day seminar at the Chamber's Washington headquarters in January to explore how they could help their communities achieve the national goals. Bush addressed the more than 300 state and local chamber executives who attended.

In the summer and fall, the center co-sponsored with the Department of Education a series of regional America 2000 meetings on education reform. The meetings were in Denver, Atlanta, San Francisco, Boston, and Dallas. More than 1,500 local and state chamber representatives attended the conferences, which were designed to help business people work to implement the six goals.

To reach thousands of business people nationwide, the center—again in cooperation with the Department of Education—held seven satellite town meetings, broadcast from its television studios in Washington. The first six focused on the six education goals. The seventh concerned local efforts to rebuild and restructure schools in the Miami area after Hurricane Andrew.

Approximately 2,800 communities participated in these meetings.

With the help of a grant from the Indianapolis-based Lilly Endowment Inc., the center also completed a major study that analyzed how education dollars are spent by the nation's schools. As part of the study the center developed a school-finance model, which enables communities to track every dollar within their school systems.

Together with the Small Business Administration, the center conducted a series of regional hearings over the summer to investigate the need to improve the skills of the small-business work force.

In 1993, the center is committed to exploring the possibility of creating a series of quality-management seminars for communities and schools. "The center also will continue to focus on its grass-roots outreach efforts concerning school reform and adoption of the education goals," says Robert L. Martin, vice president/executive director of the center.

In addition, a human-capital-investment initiative will be launched to identify economic incentives to help promote work-force training.

Loans Grow

Total loans disbursed through the U.S. Chamber's education-assistance affiliate now exceed \$500 million.

The program, known as ConSern, was launched in 1987 to help owners and employees of companies that belong to the Chamber pay college and postgraduate education expenses of family members.

A total of 80,545 loans have been approved by University Support Services, Inc., which administers the Con-Sern program. More than 27,000 companies are participating.

For more information on ConSern, call 1-800-SOS-LOAN.

New Resources On Education Reform

The Center for Workforce Preparation and Quality Education continued to provide resources to foster education reform during 1992. It published:

■ Education Blueprints: A 1990's Guide to Rebuilding Education and Workforce Quality. The guide describes some of the most innovative ideas in education reform today. It details more than 60 initiatives by companies and local chambers of commerce that can serve as models for any community regardless of its size or budget constraints. Single copies are

■ Literacy Guide. The handbook is designed to provide chamber executives and business leaders with detailed guidelines on how to establish literacy programs in the community or the work site. The price is \$5.

To order these resources, write the Center for Workforce Preparation and Quality Education at 1615 H Street, N.W., Washington, D.C. 20062-2000, or call (202) 463-5525. Bulk discounts are available.

Checks must accompany orders for publications and should be made payable to the Center for Workforce Preparation and Quality Education. FEBRUARY 1993

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A New Emphasis On Quality



Left to right, Jim Bakken, retired vice president of Ford Motor Co.; Edward S. Finein, retired vice president of Xerox Corp.; Robert B. Halder, vice president of the Juran Institute, a training organization; and Meryl Comer, panel moderator, discuss techniques of quality management at a 1992 seminar. Below, A. Blanton Godfrey of the Juran Institute discusses small-firm quality management at a U.S. Chamber seminar.

The U.S. Chamber of Commerce has become a major force in the qualitymanagement movement that is preparing American companies for intensified competitive challenges at home and abroad.

In 1992, the Chamber established a Quality Learning Services Division to help U.S. businesses improve their operations, products, and services. The division sponsored a series of 10 televised, interactive seminars last fall, and 40 such broadcasts have been scheduled for this year.

In announcing this new Chamber service, President Richard L. Lesher noted that quality has become the decisive component of the nation's effort to compete in the world marketplace.

"There was a time when our ability to produce goods and services in quantity was the key to our success, but that era has passed," he said. "Today, the world offers quantity aplenty. What consumers are looking for is quality, quality, quality. Our ability to respond to that demand will determine our economic status among nations for the foreseeable future."

The bottom line, Lesher added, is that quality management must be "customer-driven."

The Chamber seminars to show business people how to improve quality are broadcast via satellite and downlinked to local business audiences. Participants at those sites can submit questions to the experts conducting the seminars.

These experts have included most of the top national figures in the quality movement, including W. Edwards Deming, Peter R. Scholtes, A. Blanton Godfrey of the Juran Institute, and Philip B. Crosby.

The Chamber's 1993 quality-management seminar program has been expanded significantly in response to the strong support demonstrated by partic-

WHAT IS A TEAM?

Group of people

Jeintly accountable for performance of activity.

Activities are interdependent.

Interdependence centers around workflow/work.

ipants in the initial series, says Alan A. Wheeler, Chamber vice president for quality learning services.

More than 150 chambers, associations, individual businesses, and educational institutions offered the fall series to members, employees, and students. The 1993 satellite series began on Jan. 27.

In addition, the Quality Learning Services Division is offering videotapes of the quality-learning seminars for ongoing use in company training programs or for home viewing.

In launching its Quality Learning Services Division, the Chamber was continuing a tradition of management education initiated in the early years of the 81-year-old organization.

In 1921, the Chamber established the Institutes for Organization Management to educate and train the managers of chambers of commerce and trade and professional associations. Sessions in this highly respected program are held annually at seven universities across the nation.

For more information on the seminars or videotapes of earlier sessions, call 1-800-835-4730.



Philip B. Crosby was among the nationally recognized quality-management authorities featured in the Chamber's series of televised seminars.



Key Court Victories Mark '92

he U.S. Chamber of Commerce helped win five U.S. Supreme Court cases in 1992 with significant implications for business. The decisions involved property rights (two cases), workplace-safety laws, pension assets, and employee benefits.

The National Chamber Litigation Center, the Chamber's public-policy law firm, also helped win several important lower-court decisions for business.

"NCLC, and therefore business, enjoyed an outstanding year in the courts," said Stephen A. Bokat, the center's executive vice president. "A number of crucial issues in the labor and environmental areas were resolved in our favor."

NCLC filed friend-of-the-court briefs on behalf of business in all the court-case victories.

Meanwhile, the litigation center is involved in two Supreme Court cases that have yet to be decided. NCLC is also watching closely for the effects on business of the Clinton administration's policies and judicial appointments.

Following is a report on the Cham-

ber's 1992 court victories:

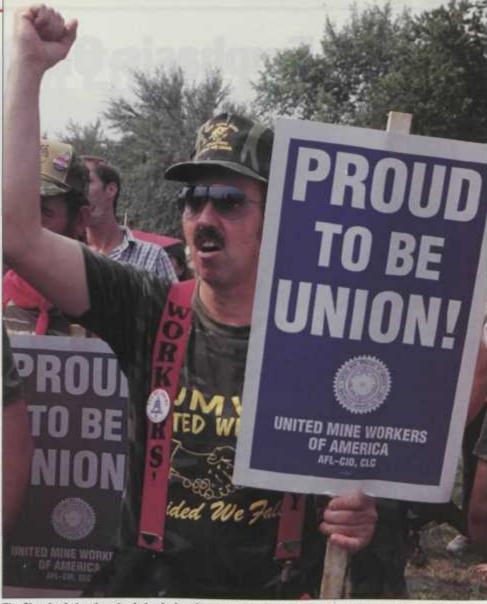
Union Organizing

In Lechmere Inc. vs. National Labor Relations Board, the Supreme Court agreed with NCLC in ruling that an employer can prohibit union organizers from trespassing on his or her prop-

The court overturned a National Labor Relations Board decision that said unions could contact a company's workers on the firm's property in an effort to organize workers if other means, such as telephone calls and newspaper advertisements, proved ineffective.

The high court said that the simple fact that a union's methods did not produce the desired results did not give it the right to trespass on private property.

Union organizers can go onto an employer's private property, said the court, if they can prove that alternative means of reaching potential memberworkers are "infeasible" or that



The Chamber's legal center helped win a Supreme Court case that denies union organizers access to an employer's property. The case was one of five high court wins for the center in 1992.

"unique obstacles" prevented the union from contacting employees in any other

NCLC called the high court decision a victory for all nonunion employers and their private-property rights.

Property Rights

Property rights were involved also in a case in which the Supreme Court said property owners must be compensated when government regulations deny "all economically viable use" of their land.

The case, Lucas vs. South Carolina

Coastal Commission, involved a landowner who had purchased two South Carolina beach-front lots in 1986. The coastal commission prohibited construction on the state's coastline under a 1988 environmental regulation, thus "taking" the use of the land from the property owner.

U.S. Constitution's Fifth Amendment bars governments from

taking property without paying "just compensation" to the owner.

The decision was particularly important for small firms, said NCLC, because their property is usually their most substantial asset, and losing its value could put them out of business.

OSHA Pre-emption

In another case that affects many businesses, the Supreme Court agreed with NCLC's position that states that do not have safety and health plans approved by the U.S. Labor Department's Occupational Safety and Health Administration—and are thus covered by the federal Occupational Safety and Health Act-may not adopt workersafety laws that conflict with or overlap OSHA statutes.

The court ruled, in Gade vs. National Solid Waste Management Association. that Illinois' workplace-safety laws are pre-empted by OSHA regulations.

The court upheld a 7th U.S. Circuit Court of Appeals decision that said Illinois must first seek approval for workplace health and safety plans from the U.S. secretary of labor.

Without such approval, NCLC argued, businesses could be forced to comply with burdensome, overlapping,

or conflicting regulations.

■ Pension Assets

Business owners who have pension plans won a significant victory in the

high court last year.

The court ruled that the pension-plan assets of companies that have filed for bankruptcy are protected from creditors under the federal Employee Retirement Income Security Act (ERISA).

The case, Patterson vs. Shumate, stemmed from bankruptcy trustees' attempts to distribute the pension assets of Coleman Furniture's president, Joseph B. Shumate, to the firm's creditors.

In a unanimous decision, the court ruled that pension-plan participants do not have to relinquish their funds to creditors when their company is involved in bankruptcy proceedings.

The court agreed with business and NCLC that ERISA protects the interests of money shielded in pension plans.

■ Employee Benefits

The Supreme Court agreed with NCLC and the Greater Washington Board of Trade that ERISA pre-empts state

workers' compensation laws.

The District of Columbia tried to mandate that employers provide the same benefits in their workers' comp plans as they do in their ERISAcovered benefit plans. Workers eligible to receive workers' comp must be provided the same benefits as active employees, the D.C. law said.

NCLC argued in D.C. Government and Sharon Pratt Kelly, Mayor vs. The Washington Board of Trade that ERISA pre-empts the D.C. law, which took effect in March 1991. ERISA does exempt from pre-emption benefit plans "maintained solely for the purposes of complying with applicable workmen's compensation laws," but the D.C. law attempted to avoid pre-emption by linking companies' benefits plans to their workers' comp plans.

The Chamber's lower-court victories for business were on the following:

■ Pollution Clean-up Costs
The U.S. Court of Appeals for the 3rd
Circuit ruled that firms named as

responsible parties to polluted sites under the federal Superfund law should be allowed to prove what percentage of the total contamination of a site is their responsibility. Further, the court said, the firms should be held liable only for clean-up costs related to that portion.

The court also agreed with NCLC that if a company can establish that its hazardous substances, when added to other hazardous substances present at a site, could not have caused or contributed to the site's contamination, it should not be liable for any of the clean-up costs.

In the case in which the appeals court made its ruling, Alcan vs. United States, the U.S. government sought nearly \$478,000 from Alcan Aluminum



"NCLC enjoyed an outstanding year in the courts. A number of crucial issues were resolved in our favor."

> -Stephen A. Bokat, executive vice president, NCLC

Corp. for cleanup of hazardous substances that were released into the Susquehanna River in Pennsylvania. Alcan had disposed into an abandoned mine near the river oil emulsions that contained trace amounts of metals listed as hazardous substances. The government reached settlements for clean-up costs with 19 other parties to the contamination and billed Alcan for the rest.

To prove a company's liability for cleanup under the Superfund law, the government must show only that a firm disposed of hazardous substances at a site, not the amounts of the substances or that the materials contributed to the contamination of the site.

The statute also allows the government to hold each party to a polluted site individually and jointly responsible for the clean-up cost. The appeals court ruling allows companies to mitigate the liability for clean-up costs.

Overtime Pay

In a case particularly significant to companies that have "on-call" policies for employees, the U.S. Court of Appeals for the 9th Circuit ruled that federal labor laws do not require the payment of overtime for employees who are not actually working but are subject to being called in to work on short notice.

The court agreed with NCLC that the Fair Labor Standards Act does not require overtime pay for workers on call

The appeals court, in Owens vs. ITT Rayonier Inc., overturned a district court ruling that said employees are entitled to overtime pay for the entire period during which they are on call.

■ Punitive Damages

The Maryland Court of Appeals, the state's highest court, cited NCLC's brief several times in throwing out the state's "implied malice" standard and adopting a standard of "actual malice" for determining punitive-damage awards.

"Actual malice" requires proof that a defendant deliberately injured a plaintiff without legal justification or excuse, said NCLC. The "implied malice" standard allowed juries to award punitive damages if a defendant should have known of a potential harm to a plaintiff.

In Owens-Illinois vs. Zenobia, a worker who contracted asbestosis from working with asbestos-containing products was awarded \$235,000 in punitive damages. Using Maryland's implied-malice standard, the award was made because, the jury said—and a lower appeals court agreed—that the company had substantial knowledge that its products were, or were likely to become, dangerous. The state Court of Appeals rejected that reasoning.

NCLC said the implied standard is particularly harmful in product-liability cases because it fails to identify what conduct by a manufacturer is likely to result in a punitive-damages award. It also argued that all makers of products create potentially foreseeable risks.

Victories Will Boost U.S. Trade

The U.S. Chamber of Commerce was highly successful last year in improving international trade opportuni-

ties for U.S. companies.

In one of its most significant trade accomplishments, the Chamber worked closely with the Bush administration's negotiators to ensure that provisions of the North American Free Trade Agreement (NAFTA) signed by the U.S., Canada, and Mexico were favorable to American business. The Chamber also lobbied Congress in support of the agreement in an effort that is continuing this year. Congress will vote on NAFTA later in 1993.

The Chamber testified before Congress that the pact will tighten U.S. trade ties with its neighbors to the north and south, which are America's largest and third-largest trading partners, respectively. The Chamber said all companies, but especially small firms, will enjoy increased access to the rapidly growing Mexican market under

the agreement.

During 1992, the Chamber also helped gain congressional approval of an economic-aid package to the former Soviet Union that will strengthen U.S. business opportunities there. Known as the Freedom Support Act, the package provides a \$12 billion increase in the U.S. commitment to the International Monetary Fund, which will lend that amount and more to the Commonwealth of Independent States (CIS) over the next several years.



Then-U.S. Trade Representative Carla Hills talks with U.S. **Chamber Vice** President/ International Wally Workman before briefing business leaders at the Chamber on the **North American** Free Trade Agreement.

It also includes \$410 million in direct U.S. aid to the CIS for fiscal 1993. An amendment to the legislation authorizes creation of business centers and directs federal agencies to coordinate American assistance and economic cooperation programs in the CIS.

The Chamber also successfully backed a five-year Export-Import

Bank reauthorization that contains a number of provisions to help businesses export. For example, the reauthorization codifies the interagency Trade Promotion Coordinating Committee and charges it with developing a government-wide plan for implementing federal export-promotion and exportfinancing programs.

Fostering Fragile Democracies

he Center for International Private Enterprise (CIPE), an affiliate of the U.S. Chamber of Commerce, continues to promote economic growth in the fragile market-based democracies in the developing world and in formerly communist or socialist nations. CIPE is the business participant in the federally funded National Endowment for Democracy.

Organizations funded by CIPE last year included: ■ The Hungarian Foundation for Small Enterprise Economic Development, which undertook training of 132 teachers and 2,500 students in entrepreneurship and civic education; and

■ The Slovak Society for Foreign Enterprise, which is using radio and television programs as well as written materials to teach ordinary citizens how to start businesses.

Last fall CIPE sponsored a conference in Washington titled "Who Is



John Macomber, then with the Ex-Im Bank, discussed trade with former Soviet republics.









First Deputy Prime Minister of Russia Vladimir Shumeiko, left, was greeted at the Chamber by Willard Workman.

Turkish President Turgut Ozal (above left) speaks at the U.S. Chamber shortly after the Gulf War.

Sen. Max Baucus, D-Mont. (center above), discusses trade legislation at an International Forum.

Leonid Kravchuk (above right), president of Ukraine, encourages U.S. firms to invest in the former Soviet republic.

Yegor T. Gaidar, right, the chief architect of Russia's economic reforms, visited the Chamber early in 1992, before he became embroiled in a struggle over the reforms.



The legislation also directs the U.S. and Foreign Commercial Service to use its offices as "one-stop shops" for export-assistance information.

And the Chamber helped win a two-year reauthorization of the Over-

the Russian Entrepreneur?" to provide American business people with a clearer understanding of how they can invest in Russia's democratic future. CIPE programs in Latin America continued to bolster the democratic process and reinforce market-oriented economic reforms. In Peru, for example, the APOYO Institute expanded its economic-analysis program to facilitate the return of democracy to that nation. During Peru's important constitutional reform process last year, the institute encouraged adoption of articles supporting market-oriented institutions.

seas Private Investment Corporation (OPIC). This federal agency promotes economic growth in developing countries by encouraging U.S. private investment in those nations. The Chamber-supported measure also authorizes establishment of commercial centers—run by the U.S. Commerce Department—for the benefit of U.S. businesses in Latin America, Asia, and Africa.

Other trade-expansion goals the Chamber helped achieve included extensions of normalized trade relations with most of the formerly communist nations of Eastern Europe as well as with China.

In addition, the Chamber helped make exporting easier for members by publishing a wealth of "how-to" information that included a guide to doing business under NAFTA, an update on key developments in the European Community's market-unification program, and a guide to newly established international quality standards.

On other fronts, the Chamber helped establish American chambers of commerce (AmChams) in Sri Lanka, Sweden, and New Delhi, India. And it conducted briefings for U.S. business people on how to do business in the thriving markets of Latin America and East Asia in conjunction with the American chambers in those regions.

The new AmChams are among the 64 AmChams affiliated with the U.S. Chamber in countries around the globe.

The Chamber's unmatched international network, which is specifically aimed at helping U.S. companies do business abroad, also includes business councils in five Eastern European nations and in Brazil, Canada, India, the Philippines, and Turkey as well as the U.S.-EC Conference on Agriculture.





At far left, Chamber President Richard L. Lesher (left), USA Network President Kay Koplovitz, and Connecticut Mutual Life Insurance CEO and President Denis F. Mullane confirm an agreement to produce and broadcast the small-business news show "First Business."

Broadcast Highlights

Above right, Dan Kush interviews House Minority Leader Robert H. Michel, R-III., for "First Business." At immediate right, panelists on the Chamber's "It's Your Business" television show debate health-care reform options. From left are Chamber President Richard L. Lesher; Sen. Nancy Landon Kassebaum, R-Kan.; program moderator Meryl Comer; Sen. Tom Daschle, D-S.D.; and Sen. Paul D. Wellstone, D-Minn.



Blue Chip Entrepreneurs



The national Blue Chip designees for 1992 were Robert Freese of Alphatronix, Research Triangle Park, N.C.; Steve Berg of DeBourgh Manufacturing Co., La Junta, Colo.; Noel Pooler of Pooler Industries, Muncie, Ind.; and Don Rullo of SuperVan, San Antonio.

The four national-award recipients in the 1992 Blue Chip Enterprise Initiative were honored at the U.S. Chamber of Commerce's 1992 National Business Action Rally.

The initiative identifies small businesses that have demonstrated an unusual ability to overcome adversity. A panel of independent judges for each state chooses up to four designees and a national judging panel selects four companies from the state ranks for national recognition.

Case histories of the nearly 200 designees are compiled into a book that is a major resource for small businesses seeking guidance on the problems and challenges they face. Many of the Blue Chip stories are also reported on "First Business," the Chamber's daily TV news program on the USA cable network.

The Blue Chip Initiative is sponsored by the Connecticut Mutual Life Insurance Co., the Chamber, and Nation's Business magazine.

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